

**Office of Inspector General (OIG), USDA**  
**Investigations Development Bulletin**  
**February 29, 2016**

**New Sentence and \$4.1 Million in Restitution Ordered for Mortgage Fraud Involving Rural Housing Program—North Carolina**

On December 9, 2015, in U.S. District Court in North Carolina, a former manufactured home sales manager was sentenced to 41 months in prison and ordered to pay \$4,135,000 in restitution (jointly and severally with other defendants). This joint investigation involved mortgage fraud in the Rural Housing Guarantee Program.<sup>1</sup> Employees of a home dealer and multiple mortgage companies conspired to sell homes using false information. Employees of the home dealer were compelled to sell as many homes as possible regardless of whether customers could afford them. More than 1,100 manufactured homes were sold to buyers, and financed with Government-insured Rural Housing Service and HUD loans. Many of these loans failed, resulting in losses to the Government exceeding \$21 million. A total of seven individuals have pled guilty in this criminal scheme, with over \$24 million in restitutions ordered by the court.

**Incarceration and \$6.6 Million in Monetary Penalties Ordered for Tobacco Company President—Virginia**

On January 11, 2016, in U.S. District Court in Virginia, the president of a tobacco manufacturing company was sentenced to serve 5 years in prison, ordered to pay \$4.7 million in restitution, and forfeit \$1,099,000 in cash and/or property. This joint investigation determined that a company which manufactured cigarettes and sold them to a co-located related company was submitting fraudulent tax returns and under reporting its sales volume in order to pay less taxes and USDA assessments.<sup>2</sup> The estimated fraud amount includes \$8.5 million in uncollected taxes and \$5 million in unpaid USDA assessments. In 2015, the manufacturing company agreed in a civil settlement to pay the Federal Government \$6,095,000.

**Incarceration and \$1.5 Million in Restitution Ordered in SNAP Fraud Case—Michigan**

On January 27, 2016, in U.S. District Court in Michigan, a Dearborn storeowner was sentenced to 1 year in prison and was ordered to pay \$1.5 million in restitution. OIG's

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<sup>1</sup> The investigation was conducted with U.S. Housing and Urban Development (HUD) OIG, the U.S. Postal Inspection Service, the North Carolina Department of Justice, and the North Carolina State Bureau of Investigation.

<sup>2</sup> This investigation was conducted jointly with the Department of Treasury Internal Revenue Service Criminal Investigation Division and Tobacco Tax Bureau.

investigation disclosed that the store redeemed approximately \$53,000 in SNAP benefits per month, while comparable stores in the area redeemed approximately \$4,700 per month. The owner and the employee exchanged SNAP benefits for cash and ineligible items during the investigation. Both were indicted for food stamp fraud and wire fraud.<sup>3</sup>

### **Former Employee of Dairy Farm Sentenced for Tampering with Consumer Products—Mississippi**

On January 19, 2016, in U.S. District Court in Mississippi, a former employee of a dairy farmer was sentenced to 18 months in prison, 1 year of supervised release, and ordered to pay restitution in the amount of \$1,000. The OIG investigation disclosed that the defendant intentionally added acid to his former employer's milk tank. The milk contained in the tank was destined for Louisiana, but was subsequently destroyed. The defendant also negotiated checks and wired funds from the bank account of his former employer to pay personal bills. The defendant was charged with tampering with consumer products and aggravated identity theft. He pled guilty to one count of tampering with consumer products.

### **Farmer Receives Lengthy Sentence and Ordered to Pay \$1.7 Million for Crop Insurance Fraud and Money Laundering—North Carolina**

On January 27, 2016, in U.S. District Court in North Carolina, a farmer was sentenced to 11 years' incarceration and was ordered to pay \$1,744,000 restitution to the Risk Management Agency (RMA), \$236,000 to the Farm Service Agency, and \$531,000 to Horry County State Bank. He was indicted on multiple counts of conspiracy, crop insurance fraud, and money laundering. Shortly after jury selection was completed, the defendant entered guilty pleas to all pending counts. The investigation also stopped the farmer's 2009 claim from being issued, helping RMA avoid \$1.2 million in additional costs.

### **SNAP Fraud Leads to 3-Year Sentence and \$1.1 Million Restitution Order—Pennsylvania**

On December 2, 2015, in U.S. District Court in Pennsylvania, a storeowner was sentenced to 3 years in prison and was ordered to pay \$1,125,000 in restitution. OIG began a joint investigation with Homeland Security Investigations into a store believed to be trafficking in SNAP benefits. The investigation determined that SNAP benefits were exchanged for U.S. currency at a discount. The storeowner pled guilty to counts of SNAP fraud and false statements.

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<sup>3</sup> In October 2015, the store employee was sentenced to five months in prison and was ordered to pay \$500,000 in restitution.

### **Wood Products Company and Owner Sentenced for Violating Plant Protection Act—California**

On January 11, 2016, in U.S. District Court in California, a wood products company was sentenced to 5 years' probation and ordered to pay a fine of \$50,000. In addition, the company owner was also sentenced to 5 years' probation and ordered to pay a fine of \$50,000. Upon a referral from the Animal and Plant Health Inspection Service, OIG determined that the company violated the Plant Protection Act by applying counterfeit quality/heat treatment marks to Wood Packaging Material (WPM), specifically pallets. The company stamped wood pallets with counterfeit WPM stamps and sold those pallets to its customers in the United States. The owner entered plea agreements on behalf of the company and himself.

### **Producer Sentenced for Conversion of Secured Assets—Iowa**

On January 7, 2016, in U.S. District Court in Iowa, a Farm Service Agency (FSA) loan recipient was sentenced to probation for 5 years and ordered to pay \$35,650 in restitution. The farmer obtained \$269,000 in loans from FSA, which were secured by his real estate, livestock, equipment, and farm production. The OIG investigation disclosed that he converted \$35,650 worth of livestock and equipment that secured his FSA loans. The subject farmer confessed to converting security and using the proceeds from the conversion for farm operating expenses.

### **Former Contractor Employee Sentenced for Criminal Conduct Related to Administration of SNAP—Indiana**

On January 19, 2016, in Marion Superior Court, State of Indiana, a former employee of a private company, which contracts for Indiana to administer its SNAP benefits, was sentenced to 6 years in prison, and ordered to pay restitution in the amount of \$79,000. This investigation was initiated by Indiana's OIG and was worked jointly with USDA OIG. The defendant was charged with multiple felony counts including corrupt business influence, welfare fraud, and perjury. The defendant was accused of using her job to illegally secure \$101,295 in SNAP and other Federally-funded benefits for herself and three other co-conspirators.

### **Fifth Defendant Sentenced for Scheme Involving SNAP Fraud and Distribution of Prescription Drugs—Ohio**

On January 22, 2016, in U.S. District Court in Ohio, a fifth subject was sentenced to 15 months in prison for conspiracy to possess and distribute Oxycodone. The OIG investigation was conducted to determine if numerous subjects were actively trafficking

in SNAP benefits, producing and filling counterfeit prescriptions, recruiting people to fill the prescriptions, and selling the majority of the prescription narcotics to others throughout Ohio and Kentucky.<sup>4</sup> Previously, a total of four coconspirators had been sentenced to prison terms ranging from 18-52 months for their roles in this criminal scheme.

### **Former NRCS Employee Sentenced for Possession of Child Pornography—Tennessee**

On January 8, 2016, in U.S. District Court in Tennessee, a former Natural Resources Conservation Service (NRCS) employee was sentenced to 33 months in prison and was ordered to forfeit his personal computer and electronic access devices. Additionally, he was ordered to serve 10 years of supervised probation upon release and must comply with the sexual offender registry requirements for the State in which he will reside, once he is released. The OIG investigation was initiated upon a referral from NRCS and was worked jointly with the FBI. Following an agreement between the Tennessee District Attorney General's Office and the U.S. Attorney's Office, Middle District of Tennessee, the State charges against the subject were dismissed and he was indicted on Federal child pornography charges. He pled guilty to possession of child pornography.

### **Storeowner Sentenced and Ordered to Pay \$818,000 in Restitution for Conspiracy to Commit SNAP Fraud—New York**

On November 20, 2015, in U.S. District Court in New York, a storeowner was sentenced to 2.5 years months in prison and was ordered to pay restitution in the amount of \$818,000. OIG's investigation determined that five former store owners and employees exchanged Supplemental Nutrition Assistance Program (SNAP) benefits at three stores for U.S. currency at a discount. All of the defendants pleaded guilty to conspiracy to commit SNAP fraud. One employee was sentenced to 18 months' imprisonment and ordered to pay restitution of \$132,000. Sentencing dates are pending for the remaining defendants.

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<sup>4</sup> The prescription narcotics they were illegally obtaining included Vicodin, Xanax, Percocet, and Oxycodone.