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Investigation Developments Bulletin
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Store Owner and Employee Sentenced and Ordered to Pay \$5.7 Million for SNAP Trafficking—Michigan

On May 25, 2016, in Federal court in Michigan, a retail Pontiac food store owner and his employee were each sentenced to 2 years in prison and were ordered to pay approximately \$5.7 million in restitution, jointly and severally. During this Supplemental Nutrition Assistance Program (SNAP) fraud investigation, multiple trafficking transactions were conducted with the employee at the store. Federal search warrants produced evidence relating to SNAP fraud. A warrant on the business bank account obtained a total of approximately \$74,500 in forfeiture. The owner and employee were charged with SNAP fraud and money laundering. In November 2015, the owner and employee pled guilty to food stamp trafficking.¹

Farm Owners Sentenced and Forfeiture of \$1.9 Million Ordered for Fraud Related to Organic Certification—Idaho

On June 20, 2016, in Federal court in Idaho, the wife of seed farm owner/operator was sentenced to 3 years' supervised probation and was ordered to pay \$1.9 million in forfeiture. Her husband, two weeks earlier, was sentenced to 3 years in prison and ordered to pay \$1.9 million in forfeiture and a \$7,500 fine. OIG received a referral from the Idaho Department of Agriculture, which alleged that the Idaho alfalfa seed farm may have sold conventional alfalfa seed as organic. The farm reported it only had the capability to produce approximately 48,000 pounds of organic alfalfa seed per year. Thereafter, the farm shipped approximately 300,000 pounds of alfalfa seed in 2013 that was falsely labeled as organic to a third party for coating and packaging. The owner's wife pled guilty to a misdemeanor count of introduction of a misbranded food product into interstate commerce. The farm owner pled guilty to wire fraud and money laundering, and agreed to the forfeiture of approximately \$1.9 million in cash proceeds and real property.²

FSA Program Participant Sentenced and Ordered to Pay \$396,000 Restitution—Iowa

On July 7, 2016, in Federal court in Iowa, a man was sentenced to 2 years in prison and was ordered to pay approximately \$396,000 in restitution. OIG conducted this investigation to determine if a Farm Service Agency (FSA) program participant converted mortgaged livestock, failed to account for the disposition of the livestock, and failed to remit the sales proceeds to FSA. The investigation determined that from January 2012–May 2014, the man conspired with others in order to convert at least 133 head of cattle and hay with a combined value of at least \$225,000. The defendant pled guilty to wire fraud and conversion of mortgaged property.

¹ Internal Revenue Service Criminal Investigation (IRS-CI) personnel obtained and executed the warrant.

² In April 2016, personnel from OIG, FBI, and the U.S. Marshals Service (USMS) took possession of substitute assets turned over by the farm.

Store Owner Sentenced and Ordered to Pay \$1.5 Million for SNAP Fraud—Illinois

On June 29, 2016, in Federal court in Illinois, a retail food store owner was sentenced to 2 years in prison and ordered to pay \$1.5 million in restitution payable to USDA. Upon completion of his sentence, he will be eligible for deportation from the United States. The investigation disclosed that the Chicago store owner obtained and redeemed SNAP benefits for non-eligible food items, such as cash and tobacco. Several Federal seizure warrants were executed and yielded monetary seizures totaling over \$209,000. OIG determined a total fraud loss of \$2.24 million.³

Defendants Sentenced and Ordered to Pay \$249,000 Restitution for SFSP Fraud—Virginia

On July 12, 2016, in Federal court in Virginia, a Summer Food Service Program (SFSP) Sponsor was sentenced to 15 months in prison and was ordered to pay \$249,000 in restitution, jointly and severally. Two weeks earlier, the same court sentenced the defendant's mother to 1 year in prison and ordered her to pay \$249,000 in restitution, jointly and severally. The investigation found that in 2012 and 2013, the defendant applied to sponsor participation in SFSP for 18 and 31 sites in Eastern Virginia, respectively. Without the knowledge of the site administrators, both individuals would alter the tally sheets, forge signatures, and exaggerate the number of children fed at each site through SFSP. In other cases, the sponsor submitted meal counts for sites that did not exist. In 2012–2013, the defendants requested and received approximately \$795,000 in reimbursements from the Virginia Department of Health, which administers SFSP for the Food and Nutrition Service. The defendants pled guilty in 2016 to counts involving mail fraud and unlawful monetary transactions.⁴

Stockyard Owner Sentenced and Ordered to Pay \$243,700 for Bank Fraud—Mississippi

On May 2, 2016, in Federal court in Mississippi, a stockyard owner was sentenced to 1 year of home detention, 100 hours of community service, and ordered to pay \$243,700 in restitution. The investigation was conducted to determine if the owner of a stockyard conspired with others to defraud FSA. The investigation disclosed that from 2012–2014, he committed bank fraud by defrauding two north Mississippi banks out of \$283,800 and \$304,200, respectively, by kiting checks to himself from bank accounts belonging to companies he controlled. The defendant admitted to check kiting and making material misrepresentations to the banks, causing both banks to incur significant financial losses. He pled guilty to bank fraud charges. Prior to sentencing, the defendant liquidated assets and used on-hand funds to pay a portion of the amount owed to the two defrauded banks.⁵

Store Owner Sentenced and Ordered to Pay \$1.13 Million in Restitution for SNAP Fraud—Pennsylvania

On June 10, 2016, in Federal Court in Pennsylvania, a retail food store owner was sentenced to 3 years in prison and ordered to pay approximately \$1.13 million in restitution. OIG and HSI agents HSI executed search warrants at the store and uncovered evidence pertaining to SNAP benefits trafficking. The store owner was indicted on counts of wire fraud, SNAP trafficking, and aiding and

³ This investigation was conducted jointly with the U.S. Department of Homeland Security's Homeland Security Investigations (HSI).

⁴ This was a joint investigation conducted with the Virginia State Police and the Commonwealth of Virginia OIG.

⁵ This case was worked jointly with the Federal Deposit Insurance Corporation OIG.

abetting. Previously, the manager of the store pled guilty to conspiracy and SNAP trafficking. The manager was sentenced to 1 day of imprisonment, restitution of \$439,000, and community service.

Civil Settlement of \$325,000 Obtained in Payment Limitation Case—California

On May 20, 2016, in Federal court in California, a farm partnership agreed to a civil settlement of \$325,000, which released them from liability under the civil False Claims Act. This case originated when OIG received a referral from FSA's California State Office. The partnership had received Direct and Counter-Cyclical payments from FSA. The subject partnership allegedly certified on their Farm Operating Plans that they were a five person partnership, which allowed them to receive five payment limitation amounts. They were in fact a three person partnership, which may have resulted in an overpayment of \$1.3 million in farm payments.

Former Housing Authority Officials Sentenced and Debarred for Theft of Government Property—Texas

On July 6, 2016, in Federal court in Texas, the former Chairperson of a local housing authority Board of Commissioners was sentenced to 1 year of probation and was ordered to pay \$7,887 in restitution. A week later, the court sentenced the housing authority's former Executive Director to 6 months' home confinement, 2 years' probation, and the same amount in restitution. Both defendants were debarred/excluded from any participation in Federal procurement and non-procurement transactions, either as a participant or principal. OIG investigated allegations that the former Executive Director of the housing authority and other staff members misappropriated Housing and Urban Development (HUD) and Rural Development (RD) funds. The investigation determined the Executive Director was hired by her mother, who was the Chairperson of the housing authority board. The Executive Director was ineligible for the position due to being a convicted felon and State of Texas nepotism laws. The Executive Director wrote housing authority checks in the amount of \$7,887 to herself for contract labor for services and work that was not performed at HUD and RD public housing units. The Executive Director colluded with the Chairperson to sign checks in order to embezzle housing authority funds. The two defendants pled guilty to theft of government property and aiding and abetting.⁶

Store Owner and Son Sentenced and Ordered to Pay \$931,000 in Restitution for SNAP Fraud—Ohio

On May 4, 2016, in Federal court in Ohio, two men—a father and son—were sentenced for their role in a SNAP fraud scheme at a retail food store. The father (the owner of the store) was sentenced to 30 months in prison and approximately \$931,000 in restitution. The son was sentenced to 27 months in prison, followed by 3 years' supervised release with the condition that he completes drug and alcohol treatment. He was also ordered to pay the same monetary restitution. Both men pled guilty earlier in 2016 to charges of conspiracy, food stamp fraud, and unlawful food stamp redemptions. The retail store was a specialty grocery store and restaurant that closed in 2013. The two defendants operated the store and obtained its SNAP license and a business license by using the names of family members not involved in the store's operation. The father and son were not eligible to obtain a

⁶ This case was based on a referral from HUD's OIG.

SNAP license based on their criminal histories. The store exchanged SNAP benefits for a wide array of unauthorized items including U.S. currency, tobacco, and calling cards.⁷

Meat Packing Company Employee Sentenced and Ordered to Pay \$307,000 Restitution—California

On May 5, 2016, in Federal Court in California, the Hazard Analysis and Critical Control Points (HACCP) coordinator for a meat packing company was sentenced to 1 year of home monitoring, 3 years' probation, and 200 hours of community service. He was also ordered to pay approximately \$307,700 in restitution to a specific food company. The case against the meat packing company (his employer) was dismissed.

The Food Safety and Inspection Service (FSIS) informed OIG that an FSIS inspector had conducted a Food Safety Assessment at the meat packing company and discovered suspicious discrepancies on laboratory test result certificates (COAs) for *E. coli* testing of beef product. It was alleged that someone at the facility was falsifying certificates and possibly introducing adulterated meat product into commerce. OIG uncovered evidence of the falsification and discovered that the plant manager for the meat packing company was associated with another meat company in Monterey Park, California. The joint OIG-FSIS investigation uncovered evidence that the COAs for the Monterey Park meat company were also being falsified. Based on information gathered from search warrants, FSIS immediately suspended the meat packing company from operating.

A Class I Recall was initiated for beef product due to possible *E. coli* contamination in January 2010. The meat packing company expanded its recall to include approximately 4.9 million additional pounds of beef and veal products that were not produced in accordance with the company's food safety plan. FSIS issued the Monterey Park meat company a letter of suspension. A criminal complaint was filed in California, charging the HACCP coordinator with providing a false COA document to FSIS. The HACCP coordinator and the meat packing company were indicted on counts of providing a false statement, related to the false COAs concerning testing of beef products for *E. coli*. In November 2015, the HACCP coordinator pled guilty to one count of the indictment.

Store Owner Sentenced and Ordered to Pay \$699,000 Restitution in SNAP Fraud Case—Nevada

On May 10, 2016, in Federal court in Nevada, a store owner's husband was sentenced to 2 years in prison and was ordered to pay \$699,000 in restitution. Over \$40,000 was seized from the subject's bank account and a search warrant was executed on the store. A criminal complaint was filed that charged the store owner's husband and the store employee with unauthorized use of food stamps and aiding and abetting. In March 2016, the store employee was sentenced to 1 year of probation and ordered to pay \$3,156 in restitution.⁸

⁷ This case was worked jointly with the FBI and HSI.

⁸ The investigation was conducted with the help of the Washoe County Sheriff's Department (Reno, Nevada) and IRS-CI, which handled the asset forfeiture.

Store Manager Sentenced and Ordered to Pay \$406,000 in SNAP Fraud—Tennessee

On June 8, 2016, in Federal court in Tennessee, a store manager was sentenced to 3 years' probation and ordered to pay approximately \$406,000 in restitution. This investigation involved SNAP violations at a small convenience store located in Jackson, Tennessee. Two men operated the store via a lease from the owner using the owner's SNAP authorization number. Based on a referral from FNS' Retailer Investigations Branch, OIG and its investigative partners initiated a SNAP fraud investigation of the store.⁹ A seizure warrant was executed on the defendant's bank account, where all Electronic Benefit Transfer settlement deposits were made. Approximately \$10,000 was seized from the account, plus \$3,000 in cash seized from a clerk at the store. In January 2016 he pled guilty to SNAP fraud and aiding and abetting a crime against the U.S.

Store Owner Sentenced and Ordered to Pay \$401,000 in Restitution for SNAP Fraud—Pennsylvania

On May 11, 2016, in Federal Court in Pennsylvania, a storeowner was sentenced to 10 months in prison and was ordered to pay approximately \$401,000 in restitution and a \$2,800 special assessment. The OIG investigation was opened when a Philadelphia store was alleged to have been involved in SNAP trafficking. The store redeemed over \$960,000 in SNAP benefits over the course of the investigation. OIG and HSI agents executed Federal search warrants at the store and uncovered evidence pertaining to SNAP trafficking. The store owner pled guilty to wire fraud and SNAP trafficking.

⁹ The investigation was conducted with the Jackson Police Department and the United States Secret Service.