



Storeowner Sentenced and Ordered to Pay \$1.18 Million in Restitution—Rhode Island

On October 28, 2016, in United States District Court, District of Rhode Island, a storeowner was sentenced to 5 years' probation with the condition that he will serve 730 days of "intermittent confinement" at a specified detention facility. He was also ordered to pay \$1.18 million in restitution. The joint investigation determined that this store was trafficking in Supplemental Nutrition Assistance Program (SNAP) benefits.¹ The storeowner pled guilty to conspiracy to commit SNAP fraud and money laundering.

Lengthy Sentence and Restitution of \$7.63 Million Ordered for Feeding Program Fraud Committed by Former State Employee—Arkansas

On January 4, 2017, in the United States District Court, Eastern District of Arkansas, a former Arkansas Department of Human Services (DHS) employee was sentenced to 9 years in prison, and was ordered to pay restitution in the amount of \$7.63 million in restitution and forfeit \$17,600 in cash. The former Arkansas DHS employee admitted to accepting bribes from multiple feeding program sponsors in return for approving fraudulent Arkansas DHS applications with inflated numbers of children expected to be fed, and to help them avoid scrutiny from other Arkansas DHS feeding program employees. This defendant pled guilty to counts regarding wire fraud and bribery. Two months earlier, on November 2, 2016, in a related case in the same District Court, a feeding program sponsor was sentenced to 21 months in prison and was ordered to pay \$182,700 in restitution. As a feeding program sponsor, he had one approved site in Arkansas where he claimed as many as 300 children were fed each day. The OIG investigation determined that no children were ever actually fed at this site. He received over \$182,000 in USDA funds that were intended to feed needy children. The defendant pled guilty to conspiracy to commit mail fraud. Judicial proceedings involving other defendants in this case are pending.

Incarceration and Monetary Judgments Ordered for Drug and Fraud Offenses—Texas

On October 17, 2016, in U.S. District Court, Western District of Texas, a man was sentenced to 27 months in prison, ordered to forfeit the Texas property involved (which he purchased through a Rural Development (RD) home loan), pay a money judgment of \$104,000, and forfeit \$160,000 in currency seized from the RD-financed residence. This case was initiated by the U.S. Department of Homeland Security, Homeland Security Investigations (HSI) when the man was arrested for attempting to buy two kilos of cocaine from a narcotics task force. HSI received information that he was a member of a Mexican cartel and was affiliated with a local gang in Texas. HSI recovered RD documents addressed with a relative's name. The RD documents were forwarded to USDA OIG. OIG investigated whether the defendant used the identity of a deceased relative in order to obtain a RD Section 502 home loan. The defendant pled guilty on charges pertaining to conspiracy to possess/distribute a controlled substance and false statements.

¹ The joint investigation was conducted by USDA OIG and FBI, and was assisted by the Retailer Investigations Branch (RIB) of the Food and Nutrition Service (FNS).

Storeowner Sentenced and Ordered to Pay \$811,000 in Restitution in Extensive SNAP Fraud Case—Florida

On November 7, 2016, in U.S. District Court, Southern District of Florida, a storeowner pled guilty to two counts of an indictment charging him with conspiracy to commit an offense against the United States and wire fraud. He was sentenced to 28 months in prison and ordered to pay \$811,300 in restitution. USDA OIG and the Palm Beach County Sheriff's Office determined that a suspect in an identity theft investigation obtained SNAP Electronic Benefits Transfer (EBT) cards with stolen identities. The identity thief took the fraudulently obtained EBT cards to a flea market to exchange SNAP benefits for cash. The investigation ultimately involved more than 160 SNAP trafficking transactions with 30 different flea market retailers. The estimated fraud attributable to the 18 flea market retailers targeted in this operation is more than \$29 million. To date, 16 convictions have been obtained in this case, with associated monetary restitution orders exceeding \$11.8 million.²

Second Storeowner Sentenced in WIC Fraud Case, Ordered to Pay \$2.2 Million in Restitution—Michigan

On October 26, 2016, in U.S. District Court, Eastern District of Michigan, a storeowner involved in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) fraud was sentenced to 28 months in prison and ordered to pay \$2.2 million in restitution. The storeowner had pled guilty to WIC fraud. This joint investigation determined that two storeowners and an employee exchanged SNAP and WIC benefits for cash. A seizure warrant was executed on the store's SNAP and WIC bank account which resulted in the seizure of \$23,300. The three individuals were arrested on conspiracy to commit SNAP and WIC fraud. Previously, the other storeowner pled guilty to WIC fraud and was sentenced to 18 months in prison and was ordered to pay \$927,700 in restitution. Charges against the employee were dropped

Additional Sentencings and Restitutions Ordered Against Former State Employees for SNAP Fraud Scheme—Delaware

In late October 2016, in Delaware Superior Court, a former Delaware Health and Social Services employee (DHSS) was sentenced to 2 years in prison, ordered to pay \$378,800 in restitution, and ordered to perform 120 hours of community service. The Delaware Attorney General's Office (DAGO) received information from DHSS regarding the creation of alleged fraudulent SNAP case files being created by DHSS employees. DHSS identified numerous statewide SNAP-only public assistance files with the recipients' addresses listed as homeless individuals using a Delaware State Service Center location as their mailing address. Upon further investigation by the Delaware agencies, 14 DHSS employees were identified as opening 84 fraudulent SNAP files totaling \$1.5 million in fraudulent SNAP benefits being paid to those accounts. USDA OIG, with the assistance of the Delaware Department of Justice and the Wilmington Police Department, executed a search warrant at the home of one of the employees. That individual's residence was identified as an address to which fictitious SNAP benefits cards were being sent via U.S. mail. Previously in this case, two other former DHSS employees were sentenced to 2

² This investigation is a multi-agency investigation involving State and Federal law enforcement as well as the United States Attorney's Office and the Florida Attorney General's Office of Statewide Prosecution. The Florida Department of Children and Families and the Palm Beach County Sheriff's Office were involved.

years' probation and \$8,000 in restitution, and 1 year of probation and \$727 in restitution, respectively. Charges remain pending against 2 employees. All of the DHSS employees involved were terminated.

Operator of Kennel and Breeding Facility Sentenced for False Statements—Iowa

On November 3, 2016, in United States District Court, Northern District of Iowa, the operator of a large scale dog kennel and breeding facility was sentenced to 3 years' probation, ordered to pay an additional \$200 per month toward his civil judgment, and comply with all Animal and Plant Health Inspection Service (APHIS) regulations related to his kennel operation. This matter was worked by OIG at the request of the United States Attorney's Office (USAO), Northern District of Iowa. At the conclusion of an APHIS Animal Care compliance investigation concerning the kennel operator, the USAO filed an \$18,000 civil penalty for a variety of violations. During the process, the operator submitted financial affidavits to the USAO disclosing his financial status. It was later determined that the operator withheld banking information and other financial information from the USAO, thereby submitting a false statement. The operator pled guilty to one count of false statements.

Conviction Upheld in SNAP Fraud Case; Sentence Included \$1 Million in Restitution—New York

On October 25, 2016, the United States Court of Appeals for the Second Circuit upheld a store employee's conviction. The employee had been found guilty in 2015 in the Southern District of New York on counts including theft of public money and transfer/unauthorized use of SNAP benefits. In 2015, he was sentenced to 2 years in prison and was ordered to pay \$1 million in restitution. The joint investigation was initiated as a result of a compliance investigation conducted by FNS RIB. It was determined that the storeowner and cashier exchanged SNAP benefits for U.S. currency at a discount.³ Previously, the storeowner was sentenced to 3 months in prison and was ordered to pay \$230,000 in restitution.

Manager of Fish Market Sentenced and Ordered to Pay Restitution for SNAP/WIC Fraud—Michigan

On November 3, 2016, in United States District Court, Eastern District of Michigan, the manager of a fish market was sentenced to 1 year and 1 day in prison and was ordered to pay \$421,000. This joint investigation was conducted to determine if the owner and/or employees of a Michigan fish market trafficked SNAP and WIC benefits.⁴ The investigation disclosed that the defendant exchanged SNAP and WIC benefits for cash, and had engaged in fraud involving other Federal and State programs. The defendant admitted to taking SNAP and WIC EBT benefits cards, which he had purchased from recipients at the fish market, to six different stores to exchange for cash, credit, or ineligible items.

³ The joint investigation was conducted by USDA OIG and the Yonkers Police Department.

⁴ The investigation was worked by USDA OIG, the MSP-BCET, and IRS-CI. Previously, the owner of the store—a brother of the store manager discussed above—was sentenced to six months in prison, to be followed by six months' home confinement, and he was ordered to pay \$204,200 in restitution.

Additional Sentence and Monetary Judgment Obtained in Case Involving SNAP Fraud and Theft of Government Funds—New York

On October 18, 2016, in U.S. District Court, Southern District of New York, the owner of an unauthorized store was sentenced to time served in prison and 3 years' supervised release. A money judgment was entered against him in the amount of \$363,000. The store had previously been permanently disqualified from participation in SNAP following an EBT administrative investigation conducted by FNS. Thereafter, the owners/operators of this store continued to exchange SNAP benefits for U.S. currency, utilizing two authorized retailers, to conduct SNAP transactions on their behalf. OIG's investigation revealed that, when approached by a customer wishing to exchange SNAP benefits for cash, the owners/operators telephonically contacted the owners/operators of two other stores where manual SNAP transactions were conducted using EBT cards in the possession of the unauthorized store. U.S. currency was provided at a discounted rate to the customers at this store and funds were transferred from the two authorized retailers. The storeowner and two relatives all pled guilty to charges pertaining to SNAP fraud and theft of Government funds. One relative was sentenced in 2016 to five years' probation and had a Consent Preliminary Order of Forfeiture/Money Judgment in the amount of \$363,000 entered against him. The other relative was sentenced to 3 years' probation.