



### **Defendants Sentenced and Ordered to Pay Major Monetary Penalties for SNAP Trafficking—California**

On March 3, 2017, in U.S. District Court, Central District of California, two brothers who worked in a store were sentenced to 41 months in prison, and they agreed to repay \$12.1 million in restitution to the Department of Agriculture (USDA). The judge also signed a court order forfeiting their interest in approximately \$1.5 million from seizures obtained during execution of a search warrant. During OIG's investigation, the brothers admitted to trafficking Supplemental Nutrition Assistance Program (SNAP) benefits. The brothers were indicted on counts of conspiracy, food stamp fraud, and wire fraud. The indictment alleged that a loss of approximately \$12 million was attributed to the fraud trafficking scheme. The brothers pled guilty to felony violations of wire fraud.

### **Defendant Sentenced to Incarceration and Monetary Penalties of \$4.7 Million for Fraud Related to RBS Guaranteed Loan—Texas**

On March 29, 2017, in U.S. District Court, Eastern District of Texas, an individual who acted as a broker on a Rural Business-Cooperative Service (RBS) loan and a Small Business Administration (SBA) loan was sentenced for conspiracy to commit bank fraud. He was sentenced to 6.5 years in prison and ordered to pay restitution exceeding \$3.7 million, jointly and severally with the loan recipient (his cousin). He was also ordered to forfeit interest in assets totaling \$1 million. This investigation was initiated pursuant to information the Federal Bureau of Investigation (FBI) provided about the loan recipient, who received guarantees totaling \$6.65 million from RBS and SBA on two loans to purchase two hotels. The investigation revealed that financial documentation he submitted for both loans contained materially false information.<sup>1</sup>

### **Settlement Agreements Reached with Two State Agencies Regarding Use of Third-Party SNAP Consultants—Virginia and Wisconsin**

During the week of April 10, 2017, the U.S. Department of Justice (DOJ) announced it had entered into settlement agreements with the Virginia Department of Social Services and the Wisconsin Department of Health and Human Services. The State agencies agreed to pay \$7.1 million and \$6.9 million, respectively. The agreements resolved allegations that the State agencies violated the False Claims Act in their administration of SNAP, resulting in FNS funding unjustified monetary performance bonuses. OIG investigated the case with the U.S. Attorney's Office for the Western District of Wisconsin and DOJ's Civil Division, Commercial Litigation Branch. The investigation arose from complaints submitted by quality control (QC) caseworkers from States that used a third party consultant. The investigation determined that the two State agencies, working with a consultant, used improper and biased quality control practices, which thereby improperly reduced their error rates.

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<sup>1</sup> Previously, in January 2017, the RBS loan recipient was sentenced to 5 years' probation for bank fraud, and was ordered to pay \$3.7 million in restitution, jointly and severally. He was ordered to forfeit interest in property totaling \$3.1 million. Judicial proceedings involving the seller are pending.

### **Defendant Sentenced for Defrauding Farm Assistance Program—South Carolina**

On May 10, 2017, in U.S. District Court, District of South Carolina, an individual was sentenced to 46 months' imprisonment for conspiracy and was also ordered to pay over \$146,000 in restitution to the Federal Government. The investigation, worked jointly with the FBI, determined that after a 2014 storm caused extensive damage to farms in the State, the defendant conspired with his wife (a Farm Service Agency (FSA) employee) to fraudulently receive disaster benefits for a farm to which he had no connection. The defendant's wife was sentenced to 27 months' imprisonment in February 2017.

### **Store Employee Sentenced to Prison and \$7 Million in Monetary Penalties for SNAP Fraud—Maryland**

On March 27, 2017, in U.S. District Court, District of Maryland, a store clerk was sentenced to 18 months in prison and ordered to pay \$3.5 million in restitution. Additionally, a Consent Order of Forfeiture was entered against him for \$3.5 million. The OIG investigation revealed that the owner of one store was trafficking in SNAP benefits. Additionally, three other stores he controlled through "straw" owners were exchanging SNAP benefits for U.S. currency. The clerk and storeowner pled guilty to conspiracy to commit SNAP and wire fraud. The storeowner's sentencing is pending.

### **Producer Sentenced for Conversion of FSA Mortgaged Property—Missouri**

On April 18, 2017, a producer was sentenced in U.S. District Court, Springfield, Missouri, to two weekends at a Bureau of Prisons designated facility, 1 year of home confinement, 120 hours of community service, and 5 years' probation. The Court ordered him to pay restitution of \$120,500 to FSA. OIG conducted this investigation to determine if the producer converted mortgaged livestock and failed to remit sales proceeds (or properly account for the disposition) to FSA. The investigation determined that during a 2.5-year period, the producer illegally converted livestock and farm equipment he mortgaged to FSA.

### **Sponsor in After-School Nutrition Program Sentenced to Incarceration and \$666,400 in Restitution—Arkansas**

On April 28, 2017, in the Eastern District of Arkansas, Little Rock, a sponsor for the At-Risk Afterschool component of the Child and Adult Care Feeding Program (CACFP) was sentenced to 2.5 years' imprisonment and was ordered to pay \$666,400 in restitution. The individual was a program sponsor at two child-feeding sites in Arkansas during the 2012-2014 contract years. The OIG investigation determined that the sponsor was recruited to participate in the feeding program by his mother-in-law, an Arkansas Department of Human Services (DHS) employee. The number of children who were purportedly fed at the defendant's sites was greatly inflated and improperly approved for reimbursement. The sponsor received improper reimbursements and thereafter made cash payments to the DHS employee. The sponsor pled guilty to 20 counts of Wire Fraud.

### **Store Employee Sentenced to Incarceration and \$1.5 Million in Restitution for Conspiracy to Commit SNAP Fraud—Connecticut**

On April 7, 2017, in U.S. District Court, District of Connecticut, a store employee was sentenced to 2.5 years in prison and was ordered to pay \$1.5 million in restitution. This sentence followed his guilty plea for conspiracy to commit SNAP fraud. OIG initiated the investigation to determine if personnel in a convenience store were exchanging SNAP benefits for U.S. currency. Judicial proceedings against other defendants in this case are pending.

**Storeowner Sentenced to 2 Years in Prison and \$900,000 in Restitution for Theft of Government Funds—New Jersey**

On March 8, 2017, in U.S. District Court, District of New Jersey, a storeowner was sentenced to 2 years in prison and was ordered to pay \$900,000 in restitution. He was ordered to forfeit \$370,000. When the store was first authorized to participate in SNAP, the owner reported the store having only one register and no shopping carts or baskets. Thereafter, the store redeemed over \$2.3 million in SNAP benefits over a four-year period. The OIG investigation determined that the store engaged in SNAP trafficking. The storeowner pled guilty to theft of Government funds.

**Employee Sentenced to Probation and Restitution of \$550,000 for SNAP & WIC Fraud—Michigan**

On March 14, 2017, in U.S. District Court, Eastern District of Michigan, a defendant was sentenced to 3 years' probation and was ordered to pay \$550,000 in restitution. The defendant conspired with a storeowner (his father) to commit fraud involving SNAP and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) benefits. The joint investigation determined that the owner and employees trafficked SNAP and WIC benefits for cash. The son was a signee on the store's SNAP/WIC bank account, and he withdrew cash to use in trafficking benefits. SNAP and WIC fraud at the store was estimated to exceed \$1.4 million. The son was held responsible for \$550,000 of the overall fraud related to the store. Judicial proceedings against the storeowner are pending.<sup>2</sup>

**Clerk Sentenced to Incarceration and Monetary Penalties Resulting from Multi-Agency Investigation—Florida**

On April 14, 2017, in U.S. District Court, Southern District of Florida, a produce store clerk pled guilty to charges of conspiracy to commit an offense against the United States and wire fraud. He was sentenced to three months in prison, 2 years' supervised release, and 200 hours of community service. The total restitution imposed on this defendant (along with a co-conspirator) was \$224,000. The clerk worked at a produce stand frequented by individuals who sold their SNAP benefits. This was the latest sentencing arising from "Operation Stampede/Operation Cash Hungry," a multi-agency investigation involving both State and Federal law enforcement as well as the U.S. Attorney's Office and the Florida Attorney General's Office. To date, 21 Federal convictions have been obtained. The total fines and restitutions imposed on Federal defendants thus far exceeds \$14.4 million.

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<sup>2</sup> The investigation was conducted jointly with USDA OIG, the Internal Revenue Service-Criminal Investigations, and the Michigan State Police-Bridge Card Enforcement Team.