



## INVESTIGATIONS

### **Defendant Sentenced to 24 Months in Prison, 36 Months of Supervised Release, and Ordered to Pay \$850,000 in Restitution for Wire Fraud—Illinois**

On February 3, 2020, in U.S. District Court, Northern District of Illinois, a storeowner was sentenced to 24 months in prison to be followed by 36 months of supervised release and ordered to pay \$850,000 in restitution. On May 17, 2011, U.S. Department of Agriculture (USDA), Office of Inspector General (OIG) initiated this investigation into suspected Supplemental Nutrition Assistance Program (SNAP) fraud at a Chicago, Illinois area store. USDA OIG's investigation revealed that the president of the store obtained and redeemed SNAP benefits by means other than the sale of eligible food items, in violation of Federal law. On August 20, 2015, in U.S. District Court, Northern District of Illinois, the storeowner was indicted on six counts of wire fraud.

### **Defendant Sentenced to 24 Months in Prison, 24 Months of Supervised Release, and Ordered to Pay \$341,360 in Monetary Judgement for SNAP Fraud—Michigan**

On February 7, 2020, in U.S. District Court, Eastern District of Michigan, a store manager was sentenced to 24 months in prison to be followed by 24 months of supervised release and ordered to pay a \$300 special assessment and a \$341,360 monetary judgement. On June 4, 2014, USDA OIG initiated this investigation into suspected SNAP fraud at a Michigan convenience store. The store manager was employed by his brother who owned the convenience store. USDA OIG's investigation determined that monthly SNAP redemptions at the convenience store ranged from \$9,000-\$12,000. Beginning in October 2014, the store manager provided \$7,600 cash in exchange for over \$18,000 in SNAP benefits. The store manager was previously disqualified on two separate occasions for SNAP violations at other locations. Additionally, the store manager brokered a \$25,000 cash purchase of a truck that he believed was filled with stolen merchandise. On September 26, 2016, USDA OIG; U.S. Department of Homeland Security, Homeland Security Investigations; and Michigan State Police Detectives executed Federal search warrants at the store and the store manager's residence and collected over \$20,000 cash, electronic benefit transfer cards, and other business records as evidence, and seized the \$25,000 the store manager provided to purchase the merchandise that he believed was stolen. On June 25, 2019, in U.S. District Court, Eastern District of Michigan, the store manager pled guilty to three counts of SNAP fraud.

### **Defendant Sentenced to 30 Months in Prison, 24 Months of Supervised Release, and Ordered to Pay \$604,303 in Restitution for Crop Insurance Fraud and Bankruptcy Fraud—Kansas**

On February 10, 2020, in U.S. District Court, District of Kansas, a producer was sentenced to 30 months in prison to be followed by 24 months of supervised release and ordered to pay

\$604,303 in restitution. On January 18, 2018, USDA OIG received information from USDA, Risk Management Agency (RMA), alleging that when the producer filed Federal Crop Insurance Program claims, he withheld corn production records for crops he produced during crop years 2014, 2015, and 2016. RMA further alleged that the producer shifted production in crop year 2016 in order to defraud the Federal Crop Insurance Corporation. RMA's allegations originated from a complaint filed by an Authorized Insurance Provider (AIP), which stated that a review of the producer's records revealed that he sold corn to several different buyers that were not reported on his crop insurance claims. Upon referral, the investigation was subsequently expanded to include grain sorghum for crop years 2014 through 2017. USDA OIG's investigation revealed that the producer falsely certified production worksheets for the 2014, 2015, 2016, and 2017 crop years which under-reported the total amount of corn and sorghum which his farming operations produced. Specifically, a review of the producer's crop insurance claim files and harvested grain records from grain storage facilities revealed that the producer under-reported 121,983 bushels of sorghum and 166,329 bushels of corn on his crop insurance claims during the above-mentioned period. As a result of the producer's false representations to the AIPs, his farming operations received approximately \$604,303 of federal crop insurance premium benefits for production which he had concealed from the AIPs during crop years 2014 through 2017. The producer also submitted a claim for \$1.5M in additional indemnity payments for the 2016 crop year to which he was not entitled. The investigation further revealed that the producer failed to disclose two wire transfers totaling \$470,000, during his Chapter 11 bankruptcy proceedings. On October 10, 2019, in U.S. District Court, District of Kansas, a two-count information was filed charging the producer with Federal crop insurance fraud and bankruptcy fraud. On October 21, 2019, in U.S. District Court, District of Kansas, the producer pled guilty to one count each of Federal crop insurance fraud and bankruptcy fraud.

**Defendant Sentenced to 18 Months in Prison, 36 Months of Supervised Release, and Ordered to Pay a \$4,000 Fine, and Ordered to Pay \$218,800 in Restitution for Providing Kickbacks—Virgin Islands**

On February 13, 2020, in U.S. District Court, District of the Virgin Islands, the president of a Florida-based subcontractor was sentenced to 18 months in prison to be followed by 36 months of supervised release and ordered to pay a \$100 special assessment, a \$4,000 fine, and \$218,800 in restitution. This was a joint investigation with the Department of Veterans Affairs, OIG; General Services Administration OIG; Naval Criminal Investigative Service; and Coast Guard Investigative Service. On February 3, 2017, USDA OIG initiated this investigation based on an allegation that a USDA prime contractor conspired with a sub-contractor in a bid-altering and kickback scheme involving a multi-million-dollar energy savings performance contract at a USDA Agricultural Research Service (ARS) facility. OIG's investigation determined that a former senior project manager at a Texas-based Federal contractor unlawfully solicited and accepted over \$2.5 million in bribes and kickbacks associated with Energy Savings Performance Contracts (ESPCs) issued by various Federal agencies. ESPCs are a type of share-in-savings contract under which agencies use private funds to finance energy conservation measures. ESPCs allow Federal agencies to procure energy savings and facility improvements with no up-front capital costs or special appropriations from Congress. The investigation disclosed that the prime contractor was awarded a \$24.7 million ESPC with ARS in California, and that the sub-contractor in question was its mechanical subcontractor on the project.

On August 6, 2018, in U.S. District Court, District of Vermont, the former senior project manager pled guilty to one count of accepting illegal kickbacks in connection with Federal contracts and one count of accepting bribes in connection with Federal contracts. The Government also filed a Notice of Forfeiture in the amount of \$2.5 million to which the former senior project manager agreed as part of his guilty plea. As part of his negotiated plea, the Government agreed to reduce the forfeiture amount from \$2.5 million to \$1.75 million if the former senior project manager remits \$950,000 on or before his sentencing date, which is anticipated to be in 2020. Additionally, on January 28, 2019, the president of a Florida-based subcontractor, was charged in a one-count criminal information with providing kickbacks in connection with a \$1.7 million Federal subcontract related to a contract to retrofit the roof of the Ron de Lugo Federal Building in St. Thomas, U.S. Virgin Islands. The information alleges that in 2014 the president of the Florida-based subcontractor paid \$218,800 in kickbacks to the Carrollton, Texas-based prime contractor who ultimately funneled \$85,000 back to the president of the Florida-based subcontractor. The information also alleges that the president of the Florida-based subcontractor falsely inflated costs billed under the subcontract in order to increase profits and cover up the aforementioned kickbacks. On October 15, 2019, in U.S. District Court, District of the Virgin Islands, the president of the Florida-based subcontractor pled guilty to one count of providing kickbacks.

**Defendant Sentenced to 46 Months in Prison, 36 Months of Supervised Release, and Ordered to Pay \$100 Special Assessment for Conspiracy to Violate the Federal Meat Inspection Act —Texas**

On February 14, 2020, in U.S. District Court, Northern District of Texas, the owner of a meat processing facility was sentenced to 46 months in prison to be followed by 36 months of supervised release and ordered to pay a \$100 special assessment. Additionally, a manager of the meat processing facility was sentenced to 42 months in prison to be followed by 12 months of supervised release and ordered to pay a \$100 special assessment. This investigation was worked jointly with USDA's Food Safety and Inspection Service (FSIS) and the U.S. Department of Justice OIG. On August 15, 2017, USDA OIG initiated this investigation based on an allegation that a meat processor produced ground beef outside its set operations times which led to uninspected product being produced, boxed, and mislabeled. Lab testing of the ground beef determined a high fat content, and the presence of water and beef hearts was discovered. Based on these circumstances, FSIS determined adulteration/mislabeling occurred. OIG's investigation determined that from October 2016 through May 2017, the owner and manager of the meat processing facility organized the processing of over 770,000 pounds of non-inspected ground beef. The processing activity took place after hours and without the knowledge of FSIS. The misbranded ground beef was contracted and shipped to multiple Federal Bureau of Prison facilities throughout the United States. As result of the shipments, the owner of the facility was paid \$1,011,166 for the misbranded product. On May 23, 2019, in U.S. District Court, Northern District of Texas, the owner and manager were indicted on charges of conspiracy to violate the Federal Meat Inspection Act, and on September 24, 2019, they each pled guilty to conspiracy to violate the Federal Meat Inspection Act.

**Defendant Sentenced to 60 Months of Probation, Ordered to Pay \$75,000 Fine, and Ordered to Pay \$1,627,115 in Restitution for Theft of Government Funds—Texas**

On February 20, 2020, in U.S. District Court, Northern District of Texas, a retired physician

was sentenced to 60 months of probation and ordered to pay a \$75,000 fine and \$1,627,115 in restitution. Two relatives of the retired physician were also sentenced to 48 months of probation and ordered to pay a \$55,000 fine and \$122,153 in restitution, and 24 months of probation and ordered to pay a \$35,000 fine and \$1,506,333 in restitution, respectively. Additionally, all three individuals are excluded from participation in USDA programs, and they were ordered to complete 750, 575, and 385 hours of community service, respectively. All restitution was ordered to be paid jointly and severally with a holding company operated by a fourth family member. On June 18, 2015, USDA OIG initiated this investigation based on an allegation that a retired physician obtained crop insurance policies/indemnities in the name of his hired hand in order to maximize crop insurance loss payments on claims filed with crop insurance providers reinsured by the Federal Crop Insurance Corporation (FCIC). USDA OIG's investigation determined that an insurance agency aided in the scheme to defraud FCIC, and from 2003 through 2017 caused the FCIC to pay indemnities of approximately \$7,083,371 to the retired physician and several members of his family. On October 22, 2019, the retired physician and two of his relatives, having been charged by information, pled guilty to theft of government funds, and the fourth family member, as representative of the holding company, pled guilty to a felony information charging him with one count of false statements to a financial institution. In anticipation of the plea agreement, the retired physician and his two relatives previously had collectively paid \$3,255,598 in restitution.

## RECENTLY ISSUED AUDITS

Report No. 24026-0002-22, *FSIS Final Action Verification - Audit of Food Safety and Inspection Service Ground Turkey Inspection and Safety Protocols*, Feb. 2020.

Report No. 04601-0003-31, *Multi-Family Housing Tenant Eligibility*, Feb. 2020.

Report No. 27601-0001-21, *Food Distribution Program on Indian Reservations*, Feb. 2020.