



## INVESTIGATIONS

### **Defendants Sentenced (Combined) for Wire Fraud to 15 Months in Prison, 96 Months of Probation, Ordered to Pay a \$5,500 Fine and \$90,580 in Restitution—Florida**

On May 20, 2020, in U.S. District Court, Northern District of Florida, three co-conspirators were sentenced to 15 months in prison and ordered to pay a \$5,500 fine and \$68,915 in restitution; 48 months of probation and ordered to pay \$12,082 in restitution; and 48 months of probation and ordered to pay \$9,583 in restitution, respectively. The first co-conspirator previously pled guilty to one count of conspiracy to commit wire fraud and six counts of theft of Government funds, and the remaining two co-conspirators each pled guilty to one count of conspiracy to commit wire fraud and one count of theft of Government funds. This a joint investigation with the Internal Revenue Service, Criminal Investigation Division. On April 19, 2018, the U.S. Department of Agriculture (USDA) Office of Inspector General (OIG) initiated this investigation based on information received from USDA's Farm Service Agency (FSA) and an OIG hotline complaint alleging that an FSA employee was forging documents and improperly adding various individuals to farm properties to enable Livestock Forage Program (LFP) and Non-Insured Disaster Assistance Program (NAP) payments. The individual in question was the FSA county executive director (CED). The LFP provided Government payments to eligible livestock owners who suffered grazing losses as a result of a qualifying drought, based on the number of livestock owned during the drought and the amount of land used to sustain the livestock.

FSA determined that certain Florida counties suffered qualifying drought conditions during the grazing season of calendar year 2016 and were eligible to receive LFP funding. The FSA CED was responsible for reviewing and processing all LFP claims submitted to FSA for Florida. OIG's investigation revealed a widespread kickback scheme, in which the CED issued and approved fraudulent LFP claims to an array of co-conspirators from May 2017 through December 2017. In many instances, the CED falsely recorded livestock not owned by the co-conspirators and parcels of farmland that were not leased in fraudulent LFP applications. Many of the co-conspirators provided the CED a cash kickback after they received payments for the fraudulent LFP claims. This scheme led to more than \$373,000 in LFP payments to the co-conspirators. On November 16, 2019, in U.S. District Court, Northern District of Florida, the CED and 28 co-conspirators were charged in a 38-count indictment with wire fraud, conspiracy, theft of Government funds, aggravated identity theft, interfering with administration of internal revenue law, and attempt to evade or defeat tax. Currently, 26 of 29 co-conspirators have pled guilty—21 of whom have been sentenced—and 3 have invoked their right to trial by jury.

### **Defendant Sentenced to 12 Months of Supervised Probation, 40 Hours of Community Service, and Ordered to Pay \$1,392 in Restitution for Attempted Fraudulent Schemes—Arizona**

On May 26, 2020, in Arizona Superior Court, Navajo County, a childcare facility owner was sentenced to 12 months of supervised probation and 40 hours of community service and ordered to pay \$1,392 in restitution to the Arizona Department of Economic Security (DES). On September 26, 2019, USDA OIG initiated this investigation based on a referral from the Department of Health and Human Services (HHS) OIG and Arizona DES OIG alleging that the owner of a Holbrook, Arizona, childcare facility may have submitted fraudulent documents in order to receive funding assistance from the Arizona Health Care Cost Containment System and Child Care Assistance Program. DES documents indicated that the childcare facility received \$125,000 in childcare assistance from September 2018 to August 2019, and the childcare facility owner received an estimated \$50,000 in potential fraudulent medical benefits. The childcare facility owner also received Supplemental Nutrition Assistance Program (SNAP) benefits while falsely claiming zero income on her DES food stamp eligibility application. On October 7, 2019, in Arizona Superior Court, Navajo County, a grand jury indicted the childcare facility owner on one count of fraudulent schemes and practices, eight counts of forgery, and one count of theft. On January 30, 2020, in Arizona Superior Court, Navajo County, the childcare facility owner pled guilty to one count of attempted fraudulent schemes and practices. This is a joint investigation with HHS OIG and Arizona DES OIG.

### **Defendant Ordered to Pay \$20,025 in Restitution to the Farm Service Agency for Conversion of Mortgaged Property —North Dakota**

On June 2, 2020, in U.S. District Court, District of North Dakota, a farmer was ordered to pay a lump sum restitution in the amount of \$20,025 to FSA—\$20,000 of which was restitution, and \$25 was a special assessment fee due immediately. On September 12, 2016, OIG initiated this investigation based on an allegation that a farmer illegally converted property that was mortgaged to USDA. OIG's investigation disclosed that the farmer sold cattle belonging to his wife that were pledged as security to FSA, without her knowledge. The farmer admitted he used the proceeds from the sales to pay part of a loan in his name at a private lending institution. On September 9, 2019, in U.S. District Court, District of North Dakota, the farmer was charged in an information with conversion of mortgaged property.

### **Defendant Sentenced to 12 Months of Supervised Probation, 48 Hours of Community Service, and Ordered to Pay \$1,392 in Restitution for Food Stamp Trafficking—Colorado**

On June 11, 2020, in Colorado District Court, a storeowner was sentenced to 12 months of probation and 48 hours of community service and ordered to pay \$977 in restitution. The sentencing occurred immediately after the storeowner pled guilty to a misdemeanor count of computer crime. On September 11, 2017, OIG initiated an investigation based on information that the two co-owners of an authorized SNAP retailer in Aurora, Colorado, were suspected of trafficking in SNAP benefits. OIG's investigation confirmed that two storeowners exchanged cash for SNAP benefits. On March 19, 2019, both storeowners were charged by the District Attorney's Office for the 18th Judicial District of Colorado with trafficking in food stamps, theft, conspiracy to commit trafficking in food stamps, and

conspiracy to commit theft. On January 21, 2020, in Colorado District Court, Arapahoe County, the other storeowner was sentenced to 24 months of probation and 48 hours of community service and ordered to pay \$3,091 in restitution. The sentencing occurred immediately after the storeowner pled guilty to one misdemeanor count of food stamp trafficking.

### **Defendant Sentenced to 18 Months of Supervised Probation and Ordered to Pay \$1,022 in Restitution for Unlawful Use of Food Stamps—Arizona**

On June 17, 2020, in Arizona Superior Court, a store manager was sentenced to 18 months of supervised probation and was ordered to pay \$1,022.52 in restitution, a \$55 special assessment, and \$85 in fines/fees. On May 1, 2013, this investigation was initiated based on information indicating that a store in Phoenix, Arizona, defrauded SNAP. The investigation revealed that from January 10, 2017, to September 6, 2018, personnel at the store exchanged \$1,023 in ineligible items for SNAP benefits. These items included bags of tobacco, cigarettes, meth pipes, digital scales, rolling papers, clothing, phone cards, and marijuana testing kits. On October 21, 2019, in Arizona Superior Court, the storeowner and the store manager were indicted on three counts and two counts, respectively, of unlawful use of food stamps. On February 26, 2020, in Arizona Superior Court, Maricopa County, the store manager pled guilty to one count of attempted unlawful use of food stamps, and on June 15, 2020, the storeowner pled guilty to one count of attempted unlawful use of food stamps. Sentencing for the storeowner is scheduled for July 27, 2020. This was a joint investigation with the Phoenix Police Department (PPD).

### **Defendant Sentenced to 27 Months in Prison, 36 Months of Supervised Probation, Ordered to Pay \$1,167,273.42 in Restitution, and Ordered to Pay \$400 in Fines for SNAP Fraud Scheme—Colorado**

On June 22, 2020, in U.S. District Court, District of Colorado, a SNAP recipient was sentenced to 27 months in prison and 36 months of supervised release and ordered to pay \$400 in fines and \$1,167,273.42 in restitution. On June 26, 2019, OIG initiated this investigation based upon a referral from the Federal Bureau Investigation (FBI). Subsequent USDA OIG inquiries showed that a SNAP recipient, who was under investigation by the FBI, fraudulently received \$12,968 in SNAP benefits. On June 26, 2019, in U.S. District Court, District of Colorado, the SNAP recipient was indicted on one count each of wire fraud, aiding and abetting, conspiracy to defraud the United States, making and subscribing a false tax return, and theft of Government funds (SNAP). Subsequently, on September 3, 2019, the SNAP recipient pled guilty to all of the aforementioned charges. This was a joint investigation with the FBI.

### **Defendant Sentenced to 12 Months of Probation for Making False Writing—New York**

On June 22, 2020, in U.S. District Court, Western District of New York, a former USDA employee was sentenced to 12 months of probation. OIG initiated this investigation based on an allegation that a USDA employee used multiple identities to illegally enter the United States and obtain a U.S. passport and employment with USDA. The investigation determined that the USDA employee made multiple false statements on passport applications and on a declaration for Federal employment. On January 13, 2020, the USDA

employee pled guilty to one misdemeanor count of making a false writing.

### **Defendant Sentenced to 24 Months of Supervised Probation and Ordered to Pay \$296,141 in Restitution for SNAP Fraud Scheme—Arizona**

On June 26, 2020, in Arizona Superior Court, a storeowner was sentenced to 6 months in prison and 24 months of supervised probation and ordered to pay \$60 in court fees and \$296,141 in restitution. This investigation was initiated in January 2016, based on a referral from the Food and Nutrition Service, Retailer Investigations Branch. Later, in October 2018, PPD received information indicating that individuals at an Arizona store were exchanging SNAP benefits for cash, which PPD confirmed between October 2018 and December 2018. A review of records between January 2016 and December 2018 revealed a loss to USDA of approximately \$296,141. The storeowner was subsequently charged with fraudulent schemes and artifices, fraudulent schemes and practices, unlawful use of food stamps, theft, money laundering, and illegally conducting an enterprise. On April 22, 2019, in Arizona Superior Court, Maricopa County, a grand jury indicted an employee of the store for unlawful use of food stamps, and on July 9, 2019, he was convicted of two counts of unlawful use of food stamps and sentenced to 4 months in prison and 24 months supervised probation and ordered to pay \$35 in assessments and \$85 in fees.

## **RECENTLY ISSUED AUDITS AND INSPECTIONS**

Report No. 50024-0015-11, *U.S. Department of Agriculture's Fiscal Year 2019 Compliance with Improper Payment Requirements*, May 2020. ([PDF](#))

Report No. 27601-0002-23, *Assessment of Women, Infants, and Children National Program Integrity and Monitoring Branch Activities*, May 2020. ([PDF](#))

Report No. 50601-0009-31, *USDA's 2018 and 2019 Trade Mitigation Packages*, May 2020. ([PDF](#))

Report No. 09601-0001-11, *Rural Utilities Service Financial Management of Section 313A Guarantees for Bonds and Notes*, June 2020. ([PDF](#))

Report No. 24801-0001, *FSIS Rulemaking Process for the Proposed Rule: Modernization of Swine Slaughter Inspection*, June 2020. ([PDF](#))

Report No. 24601-0002-23, *Controls Over Meat, Poultry, and Egg Product Labels*, June 2020. ([PDF](#))

Report No. 33026-0001-22, *FAV—APHIS Plant Protection and Quarantine Preclearance Offshore Program*, June 2020. ([PDF](#))

Report No. 05601-0007-31, *Controls Over Crop Insurance Section 508(h) Products*, June 2020. ([PDF](#))