

Office of the Inspector General, USDA
Investigation Developments

> *December 6, 2005* <

Two Individuals Involved in Crop Insurance Fraud Sentenced and Ordered to Pay a Total of \$3.48 Million in Restitution

On November 9, 2005, two individuals were sentenced in a North Carolina Federal court for their roles in a scheme to defraud the Federal Crop Insurance Corporation (FCIC) and several private insurance companies. The first individual was an insurance claims adjuster who was sentenced to 14 months in prison and ordered to pay \$768,000 in restitution. The second individual was sentenced to 46 months in prison and ordered to pay \$2,718,125 in restitution. In October 2003, six individuals were arrested on various Federal charges to include false statements, money laundering, and conspiracy. The investigation disclosed that an insurance agent and five other individuals illegally obtained crop insurance by creating false records to show a history of high production, creating false acreage records, and claiming disasters that did not occur. The scheme resulted in the FCIC and several private insurance companies being defrauded of more than \$12 million between 1997 and the present. This was a joint investigation with OIG, the North Carolina State Bureau of Investigation, Henderson County Sheriffs Office, and agents from the Internal Revenue Service.

New Jersey Man Sentenced and Ordered to Pay \$23,224 in Restitution for Food Stamp Trafficking

On November 2, 2005, a man pled guilty to food stamp trafficking and was sentenced in a New Jersey Federal court to serve 10 months in prison, 36 months' supervised release, and was ordered to pay \$23,224 in restitution. The OIG investigation disclosed that an authorized store trafficked in Electronic Benefit Transfer (EBT) food stamp benefits valued at \$120,000.

Forest Service Employee Charged for Arson on Public Lands

On November 9, 2005, a Forest Service employee was charged in an Arizona Federal court for violations of setting timber on fire and arson on public lands. OIG conducted the investigation jointly with the Forest Service. The employee, who has been suspended by the Forest Service, was a former firefighter and incident commander.

Connecticut Store Owner Sentenced and Ordered to Pay \$25,000 in Restitution for Food Stamp Fraud

On October 21, 2005, a store owner was sentenced in a Connecticut Federal court to serve 3 months' home detention and 3 years' probation, fined \$2,000, and ordered to pay \$25,000 in restitution. The U.S. Attorney's Office (USAO) Civil Division requested OIG assistance in a False Claims Act investigation against the retail store. The Food and Nutrition Service administratively disqualified the store, and as a result of OIG's investigation, the USAO decided to pursue criminal charges against the store's two owners. In March 2005 both owners pled guilty to Electronic Benefit Transfer fraud. One owner was previously sentenced on October 4, 2005, to 3 years' probation, fined \$1,000, and ordered to pay \$20,000 in restitution.

Attorney Pleads Guilty to Theft of Government Funds for Converting RD Funds for Personal Use

On October 19, 2005, an attorney pled guilty in a North Carolina Federal court to theft of Government funds, wire fraud, and mail fraud. The OIG investigation disclosed that the attorney, on contract with Rural Development (RD), served as the substitute trustee for RD interest credit housing foreclosures. The attorney conducted the sales for three foreclosures and diverted \$180,129 in RD proceeds to his personal use. The attorney diverted \$12,000 from a local township and an additional \$273,000 in proceeds from a home refinance and the purchase of a mobile home in which he was the trustee. These funds were wired or mailed to the attorney, deposited into his trust account, and then used by the attorney to finance political projects in Liberia. The attorney was disbarred in April 2005. Sentencing is scheduled for January 2006.

California Meat Company Agrees to Criminal Fine of \$250,000 and Two Men Sentenced for Importation of Prohibited Poultry Products

On October 3, 2005, a meat company in Santa Ana, California, agreed to pay a criminal fine of \$250,000 and a mandatory assessment of \$800 in the Central District of California. The meat company was also placed on probation for 60 months for smuggling prohibited poultry products from the Republic of Vietnam. Additionally, on October 3, 2005, two brothers were sentenced in a California Federal court to 24 months' probation for smuggling prohibited poultry products from the Republic of Vietnam. The brothers each agreed to pay a criminal fine of \$7,500 and a mandatory assessment of \$100. In March 2005 the meat company pled guilty to two felony counts of smuggling of prohibited poultry products and the brothers each pled guilty to one felony count of smuggling of prohibited poultry products.