

Office of the Inspector General, USDA Investigation Developments

> August 15, 2005 <

Maine Company and Former Employees Sentenced and Fined for Illegal Import of Prohibited Viruses (APHIS)

On August 5, 2005, a Maine company was sentenced to 5 years' probation and fined \$500,000 for smuggling illegal viruses into the United States and making false statements. The Federal court ordered the company to pay the fine over 5 years. The court also assessed a special fee of \$2,625. In addition to the sentencing of the company, the OIG investigation has resulted in the conviction of eight individuals.

The OIG investigation found that individuals from the company smuggled viruses into the United States. Testing results obtained from the Animal and Plant Health Inspection Service's (APHIS) National Veterinary Services Laboratories in Ames, Iowa, and the Agricultural Research Service's Southeast Poultry Lab in Athens, Georgia indicated that the viruses seized by OIG were a live exotic Newcastle virus and an inactivated Avian Influenza H9N2 virus that did not originate in the United States.

Previously, five company employees and a foreign farm enterprise employee were sentenced in the District Court of the United States for the District of Maine. The individuals sentenced included the former President; Vice President; Chief Financial Officer; Vice President of Production; a university agricultural professor; and a veterinarian of the private farm entity. The sentences ranged from 12 months and 1 day incarceration to 36 months' probation and also included fines ranging up to \$30,000.

Attorney Arrested and Other Conspirators Sentenced and Fined Regarding Fraudulent Emergency Loans Scheme (FSA)

On August 4, 2005, an attorney was arrested regarding his involvement in a scheme to obtain fraudulent emergency loans from the Farm Service Agency (FSA) regarding Hurricane Georges' landfall in Puerto Rico in 1998. In July 2005, the attorney was charged with six counts of False Statements on Loan or Credit Applications, 30 counts of False Entries to Credit Institution, and one count of Conspiracy. A forfeiture count was also included in the amount of up to \$10 million against real or personal properties.

Another recent development in this case occurred on July 1, 2005, when a man was sentenced in Federal court in Puerto Rico to 4 years' probation and 6 months' home confinement. He was also fined \$3,100 and ordered to pay \$17,766 in restitution. Another man was sentenced to 4 years' probation, 6 months' home confinement, fined \$2,100, and ordered to pay \$13,329 in restitution. The investigation identified numerous individuals who were involved in a scheme to obtain fraudulent loans and other

incentives from the Farm Service Agency (FSA) as a result of losses caused by Hurricane Georges in 1998. As of May 2005, there were 29 indictments and/or criminal information filed and 29 convictions gained.

OIG's work in this investigation has thus far resulted in fines totaling \$101,400 and \$1,384,750 in restitutions. The individuals have repaid \$10,124,671 in loan principal and interest to FSA and there is still approximately \$3 million that has to be repaid by the subjects. In June 2005, a civil suit was filed in Federal court in Puerto Rico seeking approximately \$32 million in damages under the False Claims Act.

Former USDA Employee Sentenced, Ordered to Pay \$36,236 for Milk Income Program Embezzlement (FSA)

On August 3, 2005, a former FSA employee was sentenced in Federal court in Grand Rapids, Michigan, to 6 months' home detention and 5 years' probation and was ordered to pay restitution in the amount of \$39,236 to FSA. The former employee embezzled and confessed to diverting payments from FSA's Milk Income Loss Contract Program into her personal bank account.

South Dakota Producer Sentenced, Ordered to Pay \$25,287 for Conversion of Government Property (FSA)

On July 25, 2005, a South Dakota producer was sentenced in a South Dakota Federal court to 60 months' probation and ordered to pay \$25,287 in restitution. The OIG investigation disclosed that between October 1999 and November 2002, the producer converted livestock valued at approximately \$61,000 that was pledged as security to FSA. The producer pled guilty to conversion of Government property.

Former Student Lunch Program Employee in Michigan Sentenced, Ordered to Pay \$54,317 for Fraud (FNS)

On July 25, 2005, a former school lunch program employee in Michigan was sentenced in the U.S. District Court for the Western District of Michigan to 6 months' imprisonment, 36 months' supervised release, 500 hours' community service, and ordered to pay \$54,317 in restitution to Boyne City public schools. The OIG investigation disclosed that the former employee embezzled \$54,317 from food sales proceeds during her 6-year tenure as a lunchroom cashier. The woman was terminated from her position in February 2004; she pled guilty in April 2005 to one count of Program Fraud.

Indiana Man Pleads Guilty to Conspiracy and Corruption Charges (FNS)

On July 27, 2005, an Indiana man pled guilty in Marion County Court on two Class C Felony counts—Corrupt Business Influence and Conspiracy to Commit Bribery. The OIG investigation disclosed that during June 2001 – April 2004, the man and three other co-defendants conspired to defraud the Indiana Family and Social Services Administration by means of forgery, theft, submission of false documents, bribery and identity theft. The man was charged with over \$600,000 in fraud (USDA funds are provided through the State program). Sentencing is scheduled for September 2005.

Texas Woman Sentenced, Ordered to pay \$123,618 for Embezzlement of WIC Program Funds (FNS)

On July 6, 2005, a Texas nutrition store employee was sentenced to serve 13 months in prison and 36 months' supervised release and was ordered by the court to pay a \$100 special assessment and \$123,618 in restitution. The investigation disclosed that from July 2003 through August 2004, she embezzled \$123,618 in milk rebate checks and other checks from her employer, a Women, Infants, and Children's (WIC) Supplemental Program store. In December 2004 the woman was indicted for embezzlement from an organization receiving Federal program funds. OIG conducted this investigation jointly with the Odessa Police Department.

New York Man Pleads Guilty for Smuggling Canadian Cattle into the U.S. (APHIS)

On July 19, 2005, a New York State man pled guilty in the District Court of the United States for the Northern District of New York to illegally smuggling 65 head of cattle from Canada into the U.S. The OIG investigation disclosed that individuals were smuggling cattle across the U.S. border through an Indian reservation and transporting them to auction houses in the U.S. A review of records identified 169 head of cattle smuggled into the U.S. from Canada. Sentencing is scheduled for November 2005.

North Dakota Producer Pleads Guilty for Conversion of Mortgaged Property (FSA)

On July 14, 2005, a North Dakota producer pled guilty in the District Court of the United States for the District of North Dakota to one count of conversion of mortgaged collateral. The OIG investigation disclosed that the producer converted livestock that was pledged as security to the Farm Service Agency. The livestock was valued at \$115,589. Sentencing is scheduled for October 2005.