

## Office of Inspector General, USDA Investigation Developments

> *September 8, 2005* <

### **Michigan Producer Pleads Guilty to Conversion of Mortgaged Crops (FSA)**

On August 23, 2005, a producer from Unionville, Michigan, pled guilty in a Michigan Federal court to one count of conversion of mortgaged collateral. The OIG investigation disclosed that during January 2001 – November 2001, the producer sold secured crops without the approval of the Farm Service Agency and received net proceeds of approximately \$194,300. The producer did not apply proceeds from the sale of approximately 24,000 bushels of corn and 20,000 bushels of soybean to his operating loan, as required. Sentencing is scheduled for December 2005.

### **Iowa Producer Sentenced, Ordered to Pay \$38,711 for False Statements and Converting Mortgaged Property (FSA)**

On August 19, 2005, an Iowa producer was sentenced in an Iowa Federal court to 60 months' probation, 6 months' home confinement, fined \$200, and ordered to pay \$38,711 in restitution to USDA. The OIG investigation disclosed that the producer provided false statements in obtaining a 2000 operating loan and converted \$38,711 worth of mortgaged property that had been pledged as collateral to FSA. On October 6, 2004, the producer was convicted of making false statements and converting FSA mortgaged property.

### **Indiana Daycare Facility Employees Sentenced and Fined for Food Program Fraud (FNS)**

On August 16, 2005, three employees of an Indianapolis, Indiana, daycare facility were sentenced in a Federal court in Indiana to 24 months' probation and 80 hours' community service and were ordered to pay a fine of \$500. On March 28, 2005, the daycare operator was sentenced to serve 50 months of incarceration and 36 months of supervised release and was order to pay \$4,459,624 in restitution. The OIG investigation disclosed that the operator owned 13 daycare centers in the Indianapolis area and directed her employees to submit false claims to two Indiana State agencies. During November 1997 – May 2003, the daycare operator fraudulently obtained a total of \$4.5 million; \$3.3 million from the Food and Nutrition Service's Child and Adult Care Food Program and the remaining \$1.2 million from child care programs funded by the U.S. Department of Health and Human Services and the State of Indiana.

### **Ohio Storeowner Pleads Guilty to Food Stamp Fraud and Trafficking of Stolen Goods (FNS)**

On August 15, 2005, a storeowner pled guilty in an Ohio Federal court to food stamp benefit trafficking, receipt and interstate shipment of stolen property, conspiracy, and money laundering. OIG investigated this case as part of a multi-agency organized crime task force in Ohio. The investigation disclosed that during January 2002 – January 2004, the storeowner was the leader of a nationwide network that trafficked in stolen merchandise with an estimated retail value of \$448,656, and trafficked food stamp benefits totaling \$30,084 through inner-city markets. The stolen merchandise included infant formula, diabetic blood glucose test strips, and over-the-counter medications. The storeowner perpetrated the criminal activity through his ownership interest in a number of wholesale businesses based in or near Dayton, Ohio; Indianapolis, Indiana; Lexington, Kentucky; and Burbank, California. During January 2004 – August 2005, 17 other individuals have pled guilty on charges relating to their roles in the criminal network. The storeowner is scheduled to be sentenced in November 2005.

### **Oregon Grocery Store Employee Sentenced and Ordered to pay \$92,174 for WIC Fraud (FNS)**

On August 15, 2005, a former employee of a retail grocery store chain was sentenced in an Oregon Federal court 6 months' home detention, 12 months' probation, fined \$1500, and ordered to pay \$92,174 in restitution to the State of Oregon, Women, Infants and Children's (WIC) program. The OIG investigation disclosed that the former employee altered redemption amounts on WIC vouchers by removing the actual tendered amount, and then took the difference in cash between the two amounts. The former employee was convicted of theft of government funds in April 2005. The individual utilized the stolen funds to pay for expenses associated with a house she had recently purchased.

### **U.S. Court of Appeals Affirms Sentences in Florida Food Stamp Fraud Cases**

On August 11, 2005, the Eleventh Circuit Court of Appeals in Atlanta, Georgia, affirmed the judgment of a U.S. district court regarding two defendants who appealed their sentences. On October 20, 2003, one defendant, the owner of a Miami Area convenience store, was sentenced in a Federal court to serve 60 months in Federal prison, ordered to pay \$4,461,124 in restitution to USDA, and fined \$4,500 after being convicted at trial on charges of conspiracy, illegal redemption of food stamp coupons, and money laundering. The other defendant, an employee of the convenience store, was also convicted at trial on conspiracy charges and was sentenced to serve 42 months in prison. The OIG investigation disclosed that during April 1996 – February 1998, the store redeemed approximately \$3.3 million in illegally obtained food stamps. The investigation also disclosed that the storeowner conspired with others for a commission and redeemed food stamps for unauthorized stores.

**Illinois Refrigeration Company Sentenced, Ordered to Pay \$275,000 for Transporting Adulterated Chicken Products (FNS)**

On August 11, 2005, a refrigeration company was sentenced in an Illinois Federal court to pay \$175,000 to an Illinois school district and \$100,000 to the State Legal Aid Society for the transportation of misbranded poultry products that were not properly inspected. The OIG investigation disclosed that a warehouse manager created false shipping records in order to cover up the illegal boxing and re-labeling of adulterated chicken products. The refrigeration company was not a licensed, USDA-inspected warehouse and had no authority to package or re-label USDA-inspected products. The adulterated chicken products were transported to and consumed by Illinois school children and caused illness in over 150 students and teachers. {The warehouse manager previously pled guilty to one count of making a false statement and one count of conspiracy and was sentenced in July 2005 to serve 1 year in prison.}

**Missouri Woman Ordered to Pay \$29,000 for Food Stamp and Welfare Fraud (FNS)**

On August 11, 2005, a woman in St. Louis, Missouri, was sentenced in a Missouri Federal court to pay \$29,000 restitution and was placed on 5 years' probation. The OIG investigation disclosed that the woman provided false statements to the Missouri Department of Social Services and, as a result, received \$38,815 in food stamps and other welfare benefits.

**Producer's Request for Postponement of Incarceration Denied by Michigan Federal Court (RMA)**

On August 11, 2005, a motion hearing was held in a Michigan Federal court on a potato farmer's request to postpone reporting to the Federal Bureau of Prisons until all appeals were exhausted. The judge denied the request and the producer was scheduled to report to prison in August 2005. As a result of the OIG investigation, in June 2005 the producer was sentenced to 87 months' confinement and ordered to pay \$2.2 million in restitution for falsifying Actual Production History records and submissions to increase his chances of qualifying for crop insurance indemnity payments.