

Office of the Inspector General, USDA Investigation Developments

> September 29, 2005 <

New York Retailer Pleads Guilty to Food Stamp Fraud, Will Forfeit \$400,000

On September 13, 2005, a retail store owner pled guilty in a Federal court in New York (Western District) to over \$1 million in food stamp fraud and money laundering. The owner agreed to forfeit over \$400,000 in cash received from the fraud scheme to the Federal Government. The OIG investigation disclosed that the owner redeemed over \$1.2 million in illegally obtained food stamp benefits from October 2004 – March 2005. Sentencing is scheduled for December 2005.

Minnesotan Sentenced and Ordered to Pay \$10,000 for Trafficking in Endangered Species

On September 9, 2005, a woman was sentenced in a Federal court in Minnesota for violations of the Lacey and Endangered Species Acts to serve 2 years' probation, 180 days of home confinement, and was ordered to pay \$10,000 in restitution to a wildlife fund to be specified by the U.S. Department of Justice. The OIG investigation disclosed that a husband and wife conspired with numerous individuals throughout the United States and made false statements on Animal and Plant Health Inspection Service forms so they could illegally sell and transport endangered species, in violation of the Lacey Act. Additionally, the husband instructed one individual to provide false information to an OIG agent. In March 2005, the wife was found guilty by a trial jury. Additionally, four individuals pled guilty to trafficking endangered species and two individuals were acquitted.

Texas Charter School Employees Sentenced for Student Lunch Program Fraud

On September 2, 2005, employees of a charter school in Houston, Texas, were sentenced by a Texas Federal court. The charter school's personnel coordinator was sentenced to serve 57 months in prison and 3 years' supervised release. The financial officer was sentenced to serve 72 months in prison and 3 years' supervised release, and the attendance clerk was sentenced to serve 15 months in prison with a special provision for 9 months of home confinement and 3 years' supervised release. The OIG investigation disclosed that during 1999 – 2000, the charter school received approximately \$717,000 in National School Lunch Program funds to which it was not entitled. In June 2004, the employees of the charter school were charged with theft of child nutrition act funds, wire fraud, conspiracy, criminal forfeiture, and money laundering. A hearing for the final restitution amount will be held within 90 days.

Detroit Grocery Store Owner Arrested for Substantial Food Stamp and WIC Fraud

On September 5, 2005, OIG and Internal Revenue Service (IRS) criminal investigation agents, along with personnel from the U.S. Marshals Service and Customs and Border Protection, arrested the owner of a Detroit grocery store upon his return to the United States. The store owner and his uncle had fled the U.S. in May 1996. The investigation disclosed that this individual and his uncle, who also owned several retail stores in the Cleveland area, were illegally trafficking in food stamps and Women and Infant Children (WIC) vouchers. They were charged with conspiracy to convert \$24 million in food stamps, conspiracy to illegally traffic \$225,000 in WIC vouchers, conspiracy to money launder \$3.3 million (domestic), conspiracy to money launder \$1 million (international), conspiracy to engage in a pattern and practice to hire illegal aliens, and filing false income tax returns. In February 2000, a U.S. district court judge issued a \$71 million summary judgment against these individuals.

Texas Nutrition Company Employees Debarred and Ordered to Pay \$34,000 for Food Program Fraud

On September 6, 2005, two program monitors employed by a nutrition company entered into a pre-trial diversion settlement in a Texas Federal court. The program monitors are required to pay \$34,000 in restitution and are debarred from all Department of Agriculture programs. The OIG investigation disclosed that during January 2000 – October 2002, employees of the nutrition company conspired with others in the Dallas – Fort Worth area to fraudulently obtain Child and Adult Care Food Program monthly meal reimbursement checks totaling \$58,699.

North Carolina Couple Sentenced Ordered to Pay \$9.1 Million in Restitution for Crop Insurance Fraud.

On September 7, 2005, a farmer and his wife were sentenced in a North Carolina Federal court for their roles in a scheme to defraud the Federal Crop Insurance Corporation and several private insurance companies. The farmer was sentenced to 76 months in prison, to be followed by 3 years' supervised release. His wife was sentenced to 66 months in prison, to be followed by 3 years' supervised release. Both were ordered to pay \$9,150,603 in restitution and forfeiture was ordered at \$7.3 million. In October 2003, six individuals were arrested on various Federal charges including false statements, money laundering, and conspiracy. OIG conducted this investigation jointly with the North Carolina State Bureau of Investigation, Henderson County Sheriffs' Office, and the IRS. The investigation revealed 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 Federal Crop Insurance Corporation and several private insurance companies being defrauded of more than \$12 million dating back to 1997.

Washington State Man Sentenced and Fined \$10,000 for Providing False Export Documentation

On August 29, 2005, an individual pled guilty in a Washington State Federal court to one count of conspiracy to make false statements to a Government agency. The individual was sentenced to a \$10,000 fine and a \$400 assessment. The OIG investigation disclosed that this individual was providing false origin documents to certifying officials to obtain Federal phytosanitary certificates for the export of potatoes to Mexico.

Arkansas Kennel Owners Plead Guilty for Violations of the Animal Welfare Act, Agree to Forfeit \$1.3 Million of Assets and Reimburse \$42,400 to Animal Rescue Groups

On August 30, 2005, in a Federal court in Arkansas, one owner of a kennel and a pine tree farm pled guilty to mail fraud and a second owner pled guilty to misprision of a felony. As part of the plea agreement, they agreed to forfeit \$200,000 in cash and 700 acres of land valued at \$1,100,000. Additionally, they agreed to pay a total of \$42,400 in partial reimbursements to 12 animal rescue groups. In September 2003, OIG agents and U.S. postal inspectors, with support from Arkansas State Police and Sharp County Sheriff's deputies, executed a search warrant at the kennel in Williford, Arkansas. The search was in connection with an ongoing investigation of alleged violations of the Animal Welfare Act and other Federal criminal statutes. A total of about 125 dogs were seized and are currently being held in a facility in Little Rock, Arkansas.

New Jersey Grocery Store Owner Pleads Guilty in Food Stamp Trafficking

On August 23, 2005, the manager of a retail grocery store pled guilty in a New Jersey Federal court to food stamp trafficking. The manager provided a signed sworn statement to OIG agents in February 2001, admitting to illegal food stamp activity in the amount of \$340,000.