

Office of Inspector General, USDA Investigation Developments Bulletin

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Producer and Former Spouse Sentenced for Extensive Crop Insurance Fraud - Tennessee

On February 14, 2014, in U.S. District Court in Tennessee, a producer who committed crop insurance and bankruptcy fraud was sentenced to 51 months in prison and ordered to pay \$888,500 in restitution. The producer's ex-wife participated in the scheme and was sentenced the same day to 20 months' imprisonment and was ordered to pay restitution of \$178,500, jointly and severally with the producer and a third co-defendant who was previously sentenced. The producer has a long history of tobacco program fraud, having previously gone to prison for tobacco violations, and the U.S. Government has over \$30 million in combined civil judgments against him. The Office of Inspector General (OIG) investigation was initiated after evidence of fraud was revealed during the course of the producer's bankruptcy. OIG's investigation disclosed that he hid assets by putting tobacco farming operations and crop insurance policies in straw producers' names. OIG found that a third co-defendant received approximately \$164,000 in crop insurance indemnities for the 2009 crop year that were actually under the control and direction of the producer. These funds had been deposited in accounts belonging to his ex-wife and were not disclosed to the bankruptcy court. The producer and his ex-wife both pled guilty to conspiracy to commit crop insurance fraud; the producer also pled guilty to bankruptcy fraud.

Co-owner of Meat Processing Plant Sentenced for Misbranding Meat - Nebraska

On March 24, 2014, in U.S. District Court in Nebraska, the co-owner of a meat processing plant that distributed mislabeled and uninspected meat was sentenced to 2 years of probation. The USDA OIG investigation determined that the woman and her husband, who owned the plant, directed their employees to falsely label packages of ground beef with the Federal mark of inspection, although the packages contained meat that had been processed without USDA inspection. The mislabeled meat products were sold to a public school system. Uninspected meat products were also sold to a food cooperative. The owners were charged with violations of the Federal Meat Inspection Act. The woman pled guilty in October 2013 to a misdemeanor count of misbranding meat. Her husband previously pled guilty to the sale of misbranded meat.¹

Owner of Retail Market Receives Lengthy Sentence and Large Restitution for Felony Offenses – California

On March 25, 2014, in Los Angeles, California, Superior Court, the owner of a Los Angeles retail market that trafficked in Supplemental Nutrition Assistance Program (SNAP) benefits was sentenced to 10 years in State prison and ordered to pay nearly \$3.5 million in restitution. He pled guilty to felony counts including grand theft, unauthorized access of computer data, and tax evasion. Two clerks who worked in the store and trafficked in SNAP benefits were sentenced on the same day to 364 days in jail. OIG's investigation, based on a referral from FNS, determined that the two clerks engaged in SNAP trafficking on a number of occasions. The owner and two employees were originally charged in early 2013. The owner was arrested again in July 2013 on charges of unauthorized computer access, conspiracy to commit fraud, and violations of the California Welfare & Institution Code, as he had continued to traffic in benefits after being released on bail.

¹ He was sentenced in December 2013 to 18 months of incarceration, followed by 1 year of supervised release, and was ordered to pay of fine of \$8,450.

Producer Sentenced for Fraud and Theft of Mortgaged Property Related to USDA Loan - Florida

On March 21, 2014, in U.S. District Court in Florida, a producer was sentenced to 21 months in prison and ordered to pay \$300,000 in restitution. USDA OIG's investigation determined that the producer filed a false application for a direct Farm Service Agency loan for expenses related to peanut farms he allegedly planned to operate. The application included lease intention documents on which the producer had forged the signatures of deceased individuals. He later sold farming equipment purchased with the loan proceeds without FSA authorization and spent the money on lottery tickets, trips, and other expenses. He pled guilty in December 2013 to false statements and theft of mortgaged property.

Brothers Attempt to Steal Truckload of Beef Results in Prison Term and Probation - Kansas

On January 27, 2014, two brothers who attempted to steal a truckload of beef from a slaughter facility in southwest Kansas were sentenced in U.S. District Court in Kansas. One brother pled guilty to conspiracy to commit interstate shipment fraud and was sentenced to 1 year in prison. The other brother pled guilty to misprision of a felony and was sentenced to 1 year of supervised release. USDA OIG's investigation disclosed that the two brothers tried to steal a truckload of beef valued at \$87,000 by pretending to be a legitimate trucking company that had a contract to transport the meat. The attempt was unsuccessful because an individual processing the transaction detected irregularities in the paperwork and contacted law enforcement.

Investigation into Animal Fighting Operation Yields Sentences and Guilty Pleas on Felony Charges - Washington

On February 25, 2014, in U.S. District Court in Washington State, a man involved in a cockfighting operation was sentenced to time served (6 months), 3 years' probation, and was prohibited from returning to the United States without advance permission from the U.S. Attorney General or designee. He pled guilty in December 2013 to participation in unlawful animal fighting. The joint investigation targeted organized cockfighting derbies and large-scale drug traffickers who were involved. More than 40 individuals have been charged with a variety of offenses. Drugs, vehicles, weapons, and approximately \$93,000 in cash were seized during the investigation. In January 2014, another individual was sentenced to 5½ months in prison and was also prohibited from returning to the United States without similar Federal permission. To date, five additional defendants in the case have pled guilty to felony charges in the case and are awaiting sentencing.²

Parent and Son Sentenced and Ordered to Pay \$1.4 Million in Restitution for SNAP Trafficking - Maryland

On February 21, 2014, in U.S. District Court in Maryland, a food store owner and her son, who both trafficked in SNAP benefits, were sentenced to 18 months and 38 months in prison, respectively, and were ordered jointly and severally to pay restitution of \$1.4 million and forfeit \$371,400 previously seized during enforcement operations. The two individuals were foreign citizens illegally in the United States. They agreed not to object to any proceedings that may be brought to remove them from the country upon completion of their sentences. OIG's investigation, conducted jointly with the Federal Bureau of Investigation, determined that the owner and her son illegally exchanged at least \$1.4 million in SNAP benefits for cash. They pled guilty to SNAP trafficking and wire fraud.

Borrower Sentenced for Conspiracy in Sale of Cattle Mortgaged to USDA – Mississippi

On February 28, 2014, in U.S. District Court in Mississippi, an FSA borrower who improperly sold loan collateral was sentenced to 5 months' incarceration, followed by 3 years' probation, and was ordered to pay \$87,200 in restitution. OIG's investigation determined that the man and his father sold cattle that were

² OIG conducted the investigation with the Drug Enforcement Administration, Blue Mountain Enforcement Narcotics Team, and the Washington State Gambling Commission.

mortgaged to FSA and converted the funds for personal use. OIG found that they fabricated invoices provided to FSA that represented purchases of cattle that did not exist. They both pled guilty to conspiracy relating to the conversion of mortgaged cattle. The father was previously sentenced to 3 years' probation.

Store Manager and Co-conspirator Sentenced and Ordered to Pay \$1.6 Restitution for SNAP Fraud and Money Laundering – Rhode Island

On March 6, 2014, in U.S. District Court in Rhode Island, the manager of a Providence store who trafficked in SNAP benefits was sentenced to 5 years' probation and ordered to pay \$1.6 million in restitution. The next day in the same court, the "straw owner" (in name only) of the store was sentenced to one year's probation and fined \$4,500. The joint investigation determined SNAP benefits were exchanged for cash at this store. The charges filed against the manager, store owner, and straw owner were conspiracy to defraud the United States, SNAP and wire fraud, and money laundering. All three individuals pled guilty. The store owner's sentencing is pending.³

OIG Investigation into Farming Operations Partnership Scheme Obtains \$5.3 Million Settlement for USDA – Illinois

On December 20, 2013, three producers, collectively with several of their corporations and limited partnerships, signed a settlement agreement and agreed to pay \$5.35 million. OIG had conducted an investigation into a multi-year scheme to circumvent farm program payment limitations. OIG's investigation revealed that the three men (the principal owner of a large Illinois farming operation, his son, and son-in-law) created limited partnerships with other individuals who did not have the financial means or ability to operate farming operations to qualify for the substantial farm program payments they received. The 17 limited partnerships received farm program payments of approximately \$6.69 million from several FSA programs for the 2001-2008 crop years. The settlement agreement did not include admissions of guilt. The final payment of the \$5.35 million was received on January 28, 2014.

Food Store Employee Sentenced and Ordered to Pay \$1 Million in Restitution for SNAP Trafficking – New York

On March 4, 2014, in U.S. District Court in New York, an employee of a Bronx food store who trafficked in SNAP benefits was sentenced to 4 months in prison, 4 months' home confinement, and was ordered to pay \$1 million in restitution. OIG's investigation disclosed that SNAP benefits were exchanged for U.S. currency at two related stores in the same shopping center. OIG determined that several employees of the food store and a related store in the shopping center exchanged SNAP benefits for cash at a discount. Previously, the owner of the related store had been sentenced in 2013 to 2 years' imprisonment and ordered to pay \$954,900 in restitution.⁴

Husband and Wife Sentenced for SNAP Fraud, Ordered to Pay \$654,000 Restitution - Maryland

On March 13, 2014, in U.S. District Court in Maryland, a co-owner of a Baltimore store who trafficked in SNAP benefits was sentenced to 27 months in prison and was ordered to pay \$654,300 in restitution. OIG's investigation, conducted jointly with the Federal Bureau of Investigation, found that the husband and wife who owned the store exchanged SNAP benefits for cash and ineligible items. They both pled guilty to SNAP fraud. On March 18, 2014, the wife was sentenced to 2 months in prison, 1 year of home detention, and ordered to pay \$654,300 in restitution.

³ OIG's investigation conducted the investigation with the Internal Revenue Service, the Rhode Island State Police, and the Food and Nutrition Service (FNS).

⁴ Sentencing is pending for two other individuals in this investigation: the owner of the food store pled guilty to SNAP fraud, and an employee of the related store pled guilty to theft of Government funds.