



## **Lender Sentenced to 25 Years in Prison and Restitution of \$174 Million for Fraudulent Loan Scheme—Illinois**

On March 6, 2018, in U.S. District Court, Northern District of Illinois, a lender pled guilty to five counts of wire fraud. He was sentenced to 25 years in prison and ordered to pay restitution and forfeiture totaling \$174 million. The defendant operated as a non-traditional lender in the Rural Business-Cooperative Service's (RBS) Business and Industry (B&I) Guaranteed Loan Program. He devised a scheme wherein he forged B&I guaranteed loan documents purporting to reflect legitimate guaranteed B&I loan borrowers and offered them for sale on the financial secondary market. The firm victimized by the defendant was an asset management company that purchased the fraudulent RBS B&I guaranteed loans. The asset management company acquired and funded \$177 million in loans to 26 separate borrowers. All of the loans were fraudulently originated by the defendant's company and had no supporting USDA records. Further judicial proceedings in this case are pending.<sup>1</sup>

## **Former Forest Protection Officer Sentenced to 41 Months in Prison for False Statements Related to Arson—California**

In February 2018, in U.S. District Court, Eastern District of California, a former Forest Service (FS) employee was sentenced to 41 months in prison for false statements. After an FS vehicle was set on fire in the El Dorado National Forest in Camino, California, a joint investigation was initiated to determine if an FS forest protection officer in the El Dorado National Forest was connected with suspected arson incidents on FS property. The investigation disclosed that the defendant's FS vehicle was destroyed by fire while he was on duty. The information he provided to FS was inconsistent with witness statements, dispatch reports, and the vehicle's fire behavior facts. An investigator with the California Department of Forestry and Fire Protection determined that the vehicle fire was caused by arson. The defendant was charged with arson, obstruction of justice, and false statements, and he was found guilty on two counts of false statements in a jury trial.<sup>2</sup>

## **Defendant Sentenced to Prison and Restitution for Identity Theft and Theft of Federal Funds—Oregon**

On February 16, 2018, in Clackamas County Circuit Court, Oregon, after pleading guilty to theft, identity theft, and perjury, a man was sentenced to 40 months in prison and was ordered to pay \$97,400 in restitution (\$18,175 payable to USDA). OIG initiated the investigation to determine if the defendant

<sup>1</sup> This is a joint USDA OIG and FBI investigation.

<sup>2</sup> This was a joint investigation conducted by USDA OIG; the Bureau of Alcohol, Tobacco, and Firearms; and the California Department of Forestry and Fire Protection.

assumed the identity of a Florida infant, and then submitted false statements to obtain monetary benefits from Rural Development's Rental Assistance Program and the Supplemental Nutrition Assistance Program (SNAP). A joint investigation disclosed that, in 1967, the defendant used a deceased infant's personal identifiers to obtain a Social Security card. Beginning in approximately 1993, he received Federal Medicaid and Social Security benefits, and he received USDA benefits after approximately 2004. The Clackamas County, Oregon, District Attorney's Office prosecuted this case.<sup>3</sup>

### **Two Defendants Sentenced and Ordered to Pay Restitution Totaling \$1.7 Million for Fraud Related to Child Nutrition Programs—Arkansas**

On February 28, 2018, in U.S. District Court, Eastern District of Arkansas, a sponsor of a Summer Food Service Program and At-Risk Afterschool Program component of the Child and Adult Care Feeding Program was sentenced to 33 months in prison and was ordered to pay \$1.08 million in restitution and forfeit property. He falsely claimed to serve up to 175 children at some of his 14 feeding sites, greatly inflating the actual number of children served. He submitted approximately 44 claims to the Arkansas Department of Human Services (ADHS) and received a total of \$1.39 million in reimbursements. This defendant pled guilty to wire fraud. Earlier in the month, on February 16, 2018, in the same district court, a sponsor in Arkansas was sentenced to 15 months in prison, and was ordered to pay \$697,000 in restitution, jointly and severally. The defendant created an organization that participated as a sponsor at three feeding sites. The defendant claimed that his organization fed as many as 872 children each day at the sites. OIG's investigation showed no children were fed at one site and very few children were fed at the other two. Due to the inflated reimbursement claims, this defendant fraudulently received \$697,000 in ADHS funds. The defendant pled guilty to conspiring to commit wire fraud.

### **Producer Sentenced to Probation and \$300,000 in Restitution for Conversion and Theft—Kansas**

On February 28, 2018, a producer was sentenced to 1 year of probation in Clay County District Court, Clay Center, Kansas. OIG initiated an investigation after receiving a referral from the Farm Service Agency (FSA) about a borrower's alleged conversion of farm equipment and machinery. FSA had provided a producer a \$100,000 operating loan that was secured by the producer's farm equipment and machinery. After the producer did not make an annual payment, FSA discovered that the producer may have sold some of the equipment through his auction business. During the investigation, the subject admitted to selling most of the farm equipment without remitting the proceeds to FSA. He also admitted to illegally selling equipment he had leased or obtained from a local equipment dealer, and not paying other customers for their equipment he sold. In prosecutions in Federal and State courts in 2017 and 2018, the defendant ultimately plead guilty to criminal conversion and theft. He paid more than \$300,000 in restitution to victims, including approximately \$84,500 to FSA.

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<sup>3</sup> The Social Security Administration OIG, Canby Police Department, Health and Human Services OIG, and the Oregon Department of Justice assisted in this investigation.

### **Store Owner Sentenced to Imprisonment and \$545,000 in Restitution for SNAP Fraud—Kentucky**

On February 13, 2018, in U.S. District Court, Western District of Kentucky, the owner of a meat store was sentenced to 33 months in prison and was ordered to pay \$545,000 in restitution. The store owner purchased SNAP benefits from customers for his personal use. The store owner was convicted of SNAP fraud in a jury trial.<sup>4</sup>

### **Defendant Sentenced on Animal Fighting Charges—New York**

On February 15, 2018, in U.S. District Court, Southern District of New York, a cockfight organizer was sentenced to 3 years of supervised probation and was ordered to pay a \$1,000 fine. He is prohibited from possessing any birds while on probation. This sentence followed his guilty plea to misdemeanor animal fighting charges. The New York Police Department's Animal Cruelty Investigation Squad requested OIG's assistance in investigating violations of the Animal Welfare Act related to the individual's alleged cockfighting activities. The investigation revealed that a co-conspirator had over 100 roosters in his yard and that he sold them domestically and internationally. As a result of a search and arrest of this co-conspirator, evidence then led to a third individual who made the steel blades (gaffs) tied to the birds' legs during cockfights. OIG agents executed a search warrant at the gaff maker's Tennessee residence and found further evidence of cockfighting such as U.S. currency, money orders, gaffs, and orders for gaffs. The gaff maker pled guilty to conspiracy to make cockfighting instruments. He is awaiting sentencing. Judicial proceedings against the co-conspirator are pending.

### **Defendants Sentenced on Charges Involving Money Laundering, Misuse of Food Stamps, and Narcotics—Arizona**

In February 2018, in Maricopa County Superior Court, Phoenix, Arizona, two defendants who exchanged SNAP benefits for narcotics were sentenced to 54 and 72 months in prison, respectively. They were also ordered to pay a total of \$1,850 in restitution. Both defendants pled guilty to attempted money laundering and unlawful use of food stamps. One of the defendants also pled guilty to the sale of a narcotic drug. In late 2016, USDA OIG, the Phoenix Police Department, and the Arizona Department of Economic Services OIG began investigating authorized retailers suspected of SNAP trafficking. The investigation produced evidence that SNAP benefits were exchanged for heroin on several occasions in or around a Phoenix residence. A search warrant conducted at the residence discovered heroin and a firearm. As a result of this investigation, a total of six individuals were indicted on charges related to money laundering, sale of narcotic drugs, and food stamp fraud. Further judicial proceedings in the case are pending.

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<sup>4</sup> This was a joint USDA OIG and FBI investigation.