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# Executive Director and CEO of Sponsor Organization Sentenced to 10 Years' Imprisonment, and Owner of Catering Company Sentenced to 8 Years' Imprisonment, for Their Roles in \$26 Million Scheme to Defraud Federal Food Program for Underprivileged Children

The former executive director and CEO of a sponsor organization for the federally-funded Child Care Food Program ("CCFP") and the former owner of a catering company that was awarded contracts to provide nutritious food for needy children were sentenced today for their roles in a complex fraud, kickback, bribery, and money laundering scheme that victimized the CCFP and the children it was meant to serve.

Ariana Fajardo Orshan, U.S. Attorney for the Southern District of Florida, Michael J. De Palma, Special Agent in Charge, Internal Revenue Service, Criminal Investigation (IRS-CI), Brian Swain, Special Agent in Charge, U.S. Secret Service (USSS), Miami Field Office, Karen Citizen-Wilcox, Special Agent in Charge, U.S. Department of Agriculture (USDA), and Rick Maglione, Chief, Fort Lauderdale Police Department, made the announcement.

**Sandra Ruballo**, 47, of Davie, Florida, was sentenced to 120 months in prison followed by three years of supervised release. Ruballo was also ordered to pay a \$900 special assessment, restitution, and a forfeiture money judgment of \$26 million. **Carlos Andres Montoya**, 48, of Miramar, Florida, was sentenced to 97 months in prison followed by three years of supervised release. Montoya was also ordered to pay a \$200 special assessment, restitution, and a forfeiture money judgment of \$13 million.



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For more than six years, Ruballo and Montoya defrauded the federally funded Child Care Food Program, which provides free and reduced meals to underprivileged children at hundreds of daycare centers in Florida. As part of the scheme, the conspirators falsified paperwork, entered into various kickback arrangements, manipulated the catering contract bid process, and inflated annual budgets, all in order to receive millions of dollars of falsely and fraudulently obtained federal funds for their own personal use and benefit.

On February 27, 2019, Ruballo pleaded guilty, without a plea agreement, to all counts of the superseding indictment, including: one count of conspiracy to commit wire fraud, in violation of Title 18, United States Code, Section 1349; three counts of wire fraud, in violation of Title 18, United States Code, Section 1343; one count of conspiracy to commit money laundering, in violation of Title 18, United States Code, Section 1956(h); and four counts of money laundering, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

On March 29, 2019, following a four-week jury trial, Montoya was convicted of one count of conspiracy to commit wire fraud, in violation of Title 18, United States Code, Section 1349, and one count of federal program bribery, in violation of Title 18, United States Code, Section 666(a)(2) (Case No. 18-CR-20393-Cooke(s)).

According to court documents and evidence presented at trial, the purpose of the Child Care Food Program (CCFP) is to provide nutritious meals and snacks for underprivileged, low-income children in daycare centers across Florida. For many children in the CCFP, the subsidized food served at daycare centers is their only source of food each day. As such, the CCFP provides children classified at or below a certain family income level with daily meals and snacks, at a free or a reduced rate. The government pays vastly higher reimbursement rates for children classified as "free," as opposed to "non-needy," for example, up to nine times more per meal. Daycare centers often contract with a sponsoring organization to process and submit their program paperwork. In those situations, the sponsoring organization enters into an agreement to operate the CCFP, and assumes administrative and financial responsibility on behalf of the center. These sponsor organizations occupy trusted roles, and are only paid government funds because they are supposed to perform oversight functions akin to regulators.

Ruballo was the owner and operator of Highland Food Resources, Inc. (HFR), a sponsoring organization of more than two hundred child daycare centers that participated in the CCFP, covering the geographic area from Key West to West Palm Beach and across the State to Florida's West Coast. In this role, HFR processed paperwork and electronically submitted monthly reimbursement claims for the centers. It was Ruballo – and HFR's – job to ensure that the claims accurately reflected the neediness levels of the children and the volume of children served meals, and Ruballo was supposed to ensure that the caterer would only be reimbursed for qualifying meals. Once HFR was reimbursed with federal funds, they paid the daycare centers, less HFR's fee, which is a percentage of the total monthly meal reimbursements. Thus, the size of HFR's payment was driven, in part, by the number of meals claimed by daycare centers that are multiplied by a higher reimbursement rate for the free and reduced meals/snacks.

On behalf of HFR, Ruballo was personally responsible for soliciting meal catering



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companies and awarding contracts through a competitive, anonymous bidding process.

Montoya was the owner and operator of Montoya Holdings, Inc., d/b/a Healthy Children Catering and Pelota Café and Pizzeria. The record evidence showed that Montoya, Ruballo, and others conspired to rig the catering bid process and award contracts to Montoya from 2012 to 2016. As a result of the bid-rigging scheme, Montoya Holdings received lucrative contracts, and was paid more than \$13 million in federal funds, via HFR, which were supposed to be used for providing nutritious meals to children at daycare centers in South Florida.

Ruballo, Montoya and others conspired to rig the catering bid process through materially false and fraudulent representations to the CCFP. For example, because of their collusion, Montoya outbid his competitor for a lucrative blanket catering contract by one penny per meal. Over the years, Montoya was awarded numerous blanket contracts that in total were valued at more than \$16 million. While Ruballo was supposed to be overseeing the fairness of this process and ensuring that food complied with the CCFP rules, instead, she looked the other way, as Montoya paid her more than approximately \$2 million in kickbacks over the course of the scheme. Montoya and co-conspirators withdrew more than \$1.6 million in cash during the conspiracy, and hundreds of thousands of dollars of cash, in turn, were deposited into accounts controlled by Ruballo – including into an account for Ruballo's husband's purported mobile car wash business.

Montoya's bribes bought him protection from regulating agencies, most notably, the Florida Department of Health, and ensured that HFR and Ruballo did not terminate contracts despite repeated complaints about spoiled food. Indeed, the evidence showed that Ruballo and other employees at HFR, at Ruballo's direction, created falsified reports about other caterers and submitted them to the Department of Health in an attempt to detract attention from Montoya when investigators became suspicious.

After Montoya Holdings caused a staph-induced foodborne illness outbreak in November 2016, affecting more than 140 preschool children in Miami-Dade and Broward Counties, the Department of Health and regulators ultimately banned Montoya Holdings from participating in the CCFP. Despite this prohibition, the bribery continued. In February 2017, Montoya paid a \$160,000 bribe to Ruballo and HFR, which the co-conspirators attempted to disguise as a "donation" or "settlement."

In addition, Montoya failed to report more than \$27 million in income to the IRS for Montoya Holdings from 2013-2016. Evidence at trial also showed that he used the proceeds of the crime to fund personal expenditures, including visits to the Seminole Hard Rock Casino, a strip club, homes, cars, and jewelry.

Separate and apart from the kickback and bribery part of the scheme, Ruballo and other co-conspirators also falsified paperwork for children enrolled at daycare centers in order to qualify more kids for free and reduced meals under the CCFP, and steal more money for themselves. This fraudulent paperwork was used as the basis for inflated monthly reimbursement claims that Ruballo submitted to the program, for which HFR received reimbursement from the CCFP. In total, through this over inflation fraud, the CCFP paid HFR approximately \$12 million that it was not entitled

to. Put differently, HFR was paid a total reimbursement of approximately \$50 million, but if the paperwork had been completed accurately, it would only have received approximately \$38.

Finally, Ruballo stole additional federal funds for herself by falsely and fraudulently inflating the HFR budget. Specifically, she added non-existent companies and ghost employees to the budget, including her own former nanny, to illegally obtain additional program funds. All told, Ruballo caused a loss to the CCFP of at least \$26 million, and personally received at least \$3 million in ill-begotten gains.

U.S. Attorney Fajardo Orshan commended the investigative efforts of IRS, USSS, USDA and the Fort Lauderdale Police Department. The case is being prosecuted by Assistant U.S. Attorneys Lisa H. Miller and Daniel J. Marcet.

Related court documents and information may be found on the website of the District Court for the Southern District of Florida at [www.flsd.uscourts.gov](http://www.flsd.uscourts.gov) or at <http://pacer.flsd.uscourts.gov>.

**Component(s):**

USAO - Florida, Southern

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