

USDA OFFICE OF INSPECTOR GENERAL

Investigations and Audit Update February 2021

Food and Nutrition Service

[Family-Owned Pharmacy Operators Ordered to Pay \\$4 Million in Restitution for Women, Infants, and Children Program Fraud—Georgia](#)

On January 8, 2021, three pharmacy operators were sentenced for defrauding the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

The investigation disclosed that three individuals who operated the pharmacy purchased Georgia WIC vouchers from low-income recipients. Specifically, the pharmacy employed drivers to travel throughout the Atlanta metro area and purchase high-value special infant formula WIC vouchers (i.e., formula vouchers that had to be prescribed by a doctor) from WIC recipients, which the pharmacy operators redeemed for cash. The business received approximately \$6.5 million in payments for the WIC vouchers' redemption. During the same time period, however, it had only purchased approximately \$1.3 million in food and infant formula.

On December 10, 2019, the three operators were found guilty of 37 counts pertaining to conspiracy, wire fraud, theft of government funds, and WIC fraud. Subsequently, on November 24, 2020, two operators were sentenced to 4 years and 6 months in prison each. The third operator was sentenced to 3 years in prison. Each defendant was also sentenced to 2 years of supervised release and ordered to pay a special assessment of \$3,700. On January 8, 2021, all three were ordered to pay restitution in the amount of \$4,012,324, jointly and severally.

This case was prosecuted by the United States Attorney's Office (USAO) of the Northern District of Georgia.

Individual Sentenced to 3 Years in Prison and Ordered to Pay \$174,283 in Restitution for Supplemental Nutrition Assistance Program Fraud—Louisiana

On February 22, 2021, in the United States District Court for the Northern District of Georgia, an individual was sentenced for defrauding the Supplemental Nutrition Assistance Program (SNAP).

This investigation was initiated based on a referral from the State of Louisiana, and focused on individuals who fraudulently obtained SNAP benefits. The fraud scheme originated from Georgia and Alabama. The alleged conspirators used fictitious identities and documents in SNAP applications submitted across Alabama, Florida, Georgia, Louisiana, and Texas, resulting in the issuance and subsequent use of more than 1,000 electronic benefits transfer cards from approximately January 2015 and continuing into 2019. Since SNAP applications were electronically submitted to the Louisiana SNAP administrator, the defendants were charged in United States District Court for the Middle District of Louisiana. The plea and sentencing hearings were held in Georgia and Alabama.

On September 18, 2019, in the United States District Court for the Middle District of Louisiana, an individual was charged with food stamp fraud and conspiracy to commit food stamp fraud. On January 27, 2020, this individual pled guilty to the Bill of Information previously filed on September 18, 2019, in the United States District Court for the Middle District of Louisiana.

On February 22, 2021, in the United States District Court for the Northern District of Georgia, the individual was sentenced to 3 years in prison, 3 months of home detention, 36 months of supervised release, and ordered to pay restitution in the amount of \$174,283. Sentencing is pending in United States District Court for two other co-conspirators who have pled guilty.

Food Safety and Inspection Service

Business Owner Sentenced to 51 Months in Prison and Forfeiture Judgment of \$15,311,927 for Selling and Distributing Non-Organic Products as Organic—South Dakota

A South Dakota business owner was sentenced for defrauding customers by selling and distributing non-organic products as organic.

The investigation disclosed that the owner of several businesses based in South Dakota profited from the fraudulent distribution and sale of agricultural grain and seed products falsely represented to be organic. The business owner would purchase

conventional product from one business account and transfer the commodities to another location. Another one of the owner's businesses held an organic handler's certificate, and one of the owner's relatives would market the commodities as organic under that business' brand. As a result, the commodities were sold at an inflated rate to customers, and the business owner kept a portion of the proceeds.

Ultimately, that business' organic handler's certificate was revoked for an unrelated matter, and the business owner and his relative were prohibited from participation in the National Organic Program (NOP). Eventually the business owner's relative remarried and assumed a different name unknown to NOP. The relative then began a new business and it was granted its own organic handler's certificate. The new business continued to fraudulently purchase conventional commodities and sell them as organic. On May 31, 2018, NOP revoked the organic certificate for all associated entities of the business. The initial complaint calculated the fraud at over \$70 million.

On February 4, 2020, in the District of South Dakota, the business owner was indicted for 1 count of conspiracy to commit wire fraud, 12 counts of wire fraud, 12 counts of money laundering (furtherance of the scheme), and 17 counts of money laundering (criminally derived proceeds over \$10,000). Furthermore, there is a forfeiture allegation that orders forfeiture of the United States properties derived from the scheme.

On February 22, 2021, the business owner was sentenced to 51 months in Federal prison with an additional 2 years supervised probation upon completion of the sentence. The business owner also was given a forfeiture judgment of \$15,311,927.

Former Co-Owners of New York Meat Distributor Sentenced for Conspiracy to Commit Wire Fraud—New York

On February 4, 2021, two former co-owners of a New York meat distributor were sentenced for conspiracy to commit wire fraud.

On March 20, 2014, the OIG Hotline received an anonymous tip that alleged a wholesale meat distributor was stamping non-Prime meat products as "USDA Prime" using a stolen "USDA Prime" grading shield. The tip also alleged the distributor was mislabeling boxes containing non-kosher meat products as kosher. Although the Hotline complaint alleged that the USDA Prime stamp was stolen, the investigation determined that it was counterfeit.

In March 2015, search warrants were executed at two New York storage units. The units contained business records belonging to the meat distributor. Subsequently, in September 2019, the two co-owners were charged with conspiracy to commit

wire fraud. They self-surrendered, were arrested, and pled guilty to the charges. Criminal forfeiture in the form of money judgments in the amount of \$125,000 was included as a part of their plea agreements.

On February 4, 2021, in U.S. District Court, Eastern District of New York, the co-owners were each sentenced to 5 years of probation and ordered to pay fines in the amount of \$20,000 each. In addition, both individuals were ordered to pay restitution totaling \$88,424, jointly and severally.

Forest Service

National Drug Control Program for Fiscal Year 2020 (Audit Report 50301-000111)

OIG reviewed the Forest Service's Performance Summary for fiscal year 2020 to be submitted to the Office of National Drug Control Policy (ONDCP), as required under ONDCP Circular: National Drug Control Program Agency Compliance Reviews, dated October 22, 2019 (hereinafter referred to as the "circular").

Section 10 of the circular specifies when drug-related obligations total less than \$50 million and a detailed accounting would be an unreasonable burden, agencies may submit alternative reports. For this reason, the Forest Service submitted an alternative report on Budget Formulation Compliance, Detailed Accounting, and Performance Summary. According to ONDCP guidance, an OIG attestation is not required for an alternative report. For fiscal year 2020 reporting period, OIG was not required and did not conduct an attestation review of the Forest Service's report on National Drug Control Program activities. Accordingly, OIG did not express a conclusion on the reliability of the assertions made in this report.

OIG reviewed the Forest Service's Performance Summary for fiscal year 2020 to be submitted to ONDCP to determine whether the alternative report met the criteria established in the circular. In addition, OIG reviewed the Forest Service's processes and internal controls for budget formulation, accounting, and performance measures to gain an understanding of the methodology used for drug control funding obligations. The Forest Service's Performance Summary identified \$13 million in budget authority related to drug control obligations in fiscal year 2020. The Forest Service met the criteria for alternative reporting; however, OIG identified that the Forest Service's Performance Summary did not include the table of prior-year drug control obligations by decision unit and drug control function, and the assertion on application of drug methodology used to calculate obligations of prior year budgetary resources.