

Office of Inspector General, USDA Investigation Developments

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FARM SERVICE AGENCY: *Former Secretary for Puerto Rico's Department of Agriculture Sentenced, Ordered to Pay \$3 Million in Restitution for False Statements and Conspiracy to Defraud*

An OIG investigation in Puerto Rico disclosed a scheme involving the former Secretary for Puerto Rico's Department of Agriculture and numerous others to obtain over \$10 million in fraudulent Farm Service Agency (FSA) loans. The FSA loans were intended to assist individuals with losses caused by Hurricane George. The former Secretary for Puerto Rico's Department of Agriculture pled guilty to making false statements to FSA and conspiracy to defraud the Government. A Federal court in Puerto Rico in March 2010 sentenced him to 6 months of home confinement, three years of probation, and ordered him to pay \$3 million in restitution to FSA. There have been 26 convictions as a result of this OIG investigation.

FOOD AND NUTRITION SERVICE: *Michigan Store Owner Sentenced, Ordered to Pay \$1.6 Million for Conspiracy, Wire Fraud, and Money Laundering*

An investigation conducted by OIG and the Internal Revenue Service (IRS) revealed that the owner of two Detroit grocery stores and his employees had conducted multiple SNAP (Supplemental Nutrition Assistance Program) benefit-for-cash transactions and accepted SNAP benefits for cigarettes and liquor. In February 2010, five defendants pled guilty to conspiracy, wire fraud, and money laundering. A Federal court in Michigan sentenced the store owner to 51 months of imprisonment, three years of probation, and ordered him to pay \$1.6 million in restitution.

FOOD AND NUTRITION SERVICE: *USDA Employee in Louisiana Sentenced and Ordered to Pay \$58,000 in Restitution for Theft of Government Funds*

An OIG investigation conducted jointly with the Small Business Administration (SBA) disclosed that a Food and Nutrition Service (FNS) employee in Louisiana provided fictitious documentation to SBA to support his loan request regarding residential hurricane damages. The employee pled guilty to theft of Government funds. A Federal court in Louisiana sentenced him in March 2010 to three years of probation and restitution of \$58,000.

FOOD AND NUTRITION SERVICE: *Illinois Couple and Corporation Sentenced and Ordered to Pay \$622,000 in Restitution for Fraud and Tax Evasion*

OIG agents disclosed that an Illinois couple had conducted an extensive fraud and tax evasion scheme. The woman failed to report income from the couple's child care corporation on SNAP application forms; the couple thereby improperly received \$26,000 in SNAP benefits. The couple and their corporation pled guilty to various fraud schemes involving SNAP, child care subsidies, Medicaid, and tax evasion. In March 2010, a Federal court in Illinois sentenced the

husband and wife to 25 months of imprisonment, three years of probation, and ordered them to pay \$452,000 in restitution. Their corporation was sentenced to five years of probation and ordered to pay \$170,000 in restitution.

RURAL UTILITIES SERVICE: *West Virginia Business Executives and Ohio Company Sentenced, Ordered to Pay \$2.9 Million in Restitution for Money Laundering Conspiracy Regarding Broadband System*

A joint investigation with IRS and a West Virginia Legislature investigative commission determined that two former executives of a West Virginia communications company and others conspired to fraudulently obtain disbursements from a \$3.29 million Rural Utilities Service (RUS) loan. RUS had provided a loan for the company to build a fixed wireless broadband system. Payments based on phony invoices went to an Ohio company.

The charges against the two executives and the Ohio company included mail fraud, theft or bribery concerning programs receiving Federal funds, and money laundering. Additionally, the Chief Financial Officer of the Ohio company has been charged with obstruction of a Federal audit. The two executives and the Ohio company pled guilty to money laundering conspiracy.

In April 2010 a Federal court in West Virginia imposed sentences on the two executives. They received sentences of 18 months of imprisonment and \$850,000 in restitution, and 6 months of home confinement and \$550,000 in restitution, respectively. On May 24, 2010, the Ohio company was sentenced to five years of probation and ordered to pay restitution totaling \$1.5 million.

AGRICULTURE MARKETING SERVICE: *Owner of Texas Organic Company Sentenced, Debarred, and Ordered to Pay \$525,000 in Restitution*

An OIG investigation revealed that the managing owner of a Texas organic company provided false statements and documents during State agriculture inspections in order to represent large quantities of conventionally grown crops as organic. The crops involved were milo, garbanzo beans, and pinto beans. The owner pled guilty to one count of making false statements. In February 2010, a Federal court in Texas sentenced him to two years of imprisonment, three years of probation, and ordered him to pay \$525,000 in restitution. He was also prohibited from doing business with USDA for five years

FARM SERVICE AGENCY: *Texas Rancher Sentenced and Ordered to Pay \$112,000 in Restitution for Conversion of Pledged Collateral and Making False Statements*

OIG agents determined that during a four year period, a Texas rancher sold 427 head of cattle without the required Farm Service Agency (FSA) authorization; the cattle had previously been mortgaged to the agency. The rancher converted part of the proceeds for the use of a corporation he controlled and failed to apply the proceeds toward his outstanding FSA loan. He was charged with conversion of pledged collateral and making false statements to FSA. In March 2010, a Federal court in Texas sentenced the rancher to serve 36 months of probation and pay restitution of \$112,000.