

Office of Inspector General, USDA Investigation Developments

~ November 19, 2010 ~

FARM SERVICE AGENCY: *Owners of Mississippi Bioenergy Company Sentenced and Ordered to Pay \$2.9 Million in Restitution for Defrauding Commodity Credit Corporation*

An OIG investigation disclosed that the owners of a Mississippi bioenergy company conspired with one another to defraud the Commodity Credit Corporation (CCC) of \$2.9 million by submitting false claims related to the bioenergy program. One owner pled guilty and the second was found guilty of all charges at trial. In September 2010, a Federal court in Mississippi sentenced the owners to prison terms of 26 and 60 months, respectively. The court also ordered the men to pay \$2.9 million in restitution, jointly and severally.

FOOD AND NUTRITION SERVICE: *Connecticut Store Owner Sentenced and Ordered to Pay \$148,000 in Restitution for SNAP Trafficking*

An OIG investigation revealed that the co-owner of a store in Norwalk had been involved in Supplemental Nutrition Assistance Program (SNAP) fraud. In October 2010, a Federal court in Connecticut sentenced the co-owner to 60 months of probation and ordered him to pay \$148,000 in restitution for his part in the fraudulent scheme. The other owner pled guilty in June 2010 and was sentenced to 8 months of imprisonment, 8 months of home confinement, and restitution of \$148,000.

FARM SERVICE AGENCY: *Members and Associates of Texas Cattle Association Enter Into Pretrial Diversion Agreements for Restitution of \$398,000 for Conspiracy and False Claims*

An OIG investigation disclosed that six members and associates of a Texas cattle association filed false claims following Hurricane Rita. They reported combined losses of 876 head of cattle in order to receive Livestock Indemnity Program (LIP) payments to which they were not entitled. The claimants were charged with conspiracy and making false claims. One defendant paid \$80,000 in restitution during the investigation. In October 2010 the defendants entered into a pretrial diversion agreement with a U.S. Attorney's Office in Texas. Prosecution was deferred for one year in return for the remaining five defendants paying the \$318,000 necessary for full restitution of the fraudulently obtained LIP payments.

FOOD AND NUTRITION SERVICE: *Joint Investigation Results in Georgia Man Sentenced for Large-Scale Theft of Infant Formula*

An OIG investigation conducted with the Food and Drug Administration and the Atlanta Police Department revealed that two criminal organizations shoplifted approximately \$6 million of infant formula and razors from Atlanta area stores and transported the stolen goods to a New

York City warehouse for storage and subsequent resale. An individual from Georgia pled guilty to conspiracy and interstate transportation of stolen property. In October 2010, a Federal court in Georgia sentenced him to 51 months of imprisonment and 36 months probation for his part in the scheme. Other participants in the scheme have been sentenced to prison terms ranging from 27 to 65 months. One defendant was sentenced to 6 months of imprisonment after pleading guilty to storing the stolen baby formula in unsanitary conditions.

RISK MANAGEMENT AGENCY: *North Carolina Convenience Store Owner Sentenced, Fined \$35,000 for False Statements Made During Tobacco Fraud Investigation*

OIG disclosed that a large number of farmers had hid their tobacco production by selling tobacco using false names, and then filed false crop insurance claims for alleged losses. OIG agents determined that approximately \$1 million in tobacco sales checks were cashed at the convenience store during August 2006—October 2007. An individual provided the store owner with checks made payable to multiple payees. During interviews with OIG agents, the store owner falsely claimed that the identity of each payee had been verified. In August 2010, a Federal court in North Carolina sentenced the owner to 60 months of probation and fined him \$35,000 for making false statements during the investigation. More than 20 individuals have pled guilty as a result of the original and related investigations.

FOOD AND NUTRITION SERVICE: *Florida Store Operators Sentenced and Ordered to Pay Restitution Ranging from \$1.9 Million to \$2.2 Million for SNAP and Wire Fraud*

An OIG investigation conducted with the Miami Police Department found that several convenience stores in Miami improperly redeemed millions of dollars in SNAP benefits from January 2004 through March 2010. A Federal court in Florida sentenced two of the store operators in July 2010 to 48 months of imprisonment. A third store operator was sentenced to 22 months of imprisonment. The court ordered the three operators to pay restitution in amounts ranging from \$1.9 million to \$2.2 million for their part in scheme. Upon release from prison, the store operators will surrender to immigration officials for deportation.

FOOD AND NUTRITION SERVICE: *Manager and Former Owner of Detroit Food Store Sentenced and Ordered to Pay \$817,000 for Fraud, Distribution of Controlled Substance, and Money Laundering*

OIG conducted an investigation of a Detroit food store with the Michigan State Police, Immigration and Customs Enforcement (ICE), and the IRS Criminal Investigation Division. The investigation disclosed that the store's former owner and employees had conspired to commit a variety of illegal acts such as SNAP fraud; Women, Infant, and Children Program (WIC) fraud; distribution of a controlled substance (khat); and money laundering. The manager and the former owner pled guilty to wire fraud. In August 2010, both individuals were sentenced by a Federal court in Michigan to 30 months of imprisonment and were ordered to pay \$817,000 in restitution, jointly and severally.