

Office of Inspector General, USDA Investigation Developments

>> *August 30, 2006* <<

Former Financial Officer Sentenced for Role in Payment Limitations Scheme in Montana

On August 16, 2006, a former Farm Service Agency (FSA) financial officer was sentenced in U.S. District Court, District of Montana to 4 months' home confinement and 30 months' probation for his role in assisting another individual in defrauding FSA. The OIG investigation disclosed that the other individual circumvented payment limitations and illegally received \$1.4 million from FSA. The former financial officer assisted this individual by providing false financial documents to FSA. The other individual was previously sentenced in June 2006 to 10 months in Federal prison and ordered to pay \$226,035 in restitution.

Man Sentenced for Conversion in Misuse of FSA Loan in Minnesota

On August 11, 2006, a man was sentenced in U.S. District Court, District of Minnesota to serve 12 months in prison with a recommendation for work release privileges, to be followed by 24 months of supervised release. The man admitted to converting all of the soybeans securing his \$212,107 FSA loan and using the proceeds to pay for farm and personal expenses. The man pled guilty on April 14, 2006, to one count of conversion. Prior to sentencing, he paid \$112,491 towards the FSA loan. The court accepted this amount as repayment of the loan.

Former FSA Loan Officer Sentenced, Ordered to Pay \$15,000 for Role in Fraud Scheme with an Arkansas Producer

On August 17, 2006, a former FSA loan officer was sentenced in U.S. District Court, Eastern District of Arkansas to serve 1 day in Federal prison, 60 months' supervised release, 6 months of home detention with ankle bracelet monitoring, and ordered to serve 100 hours of community service. The former loan officer was also ordered to pay \$15,000 in restitution for assisting another individual to defraud FSA via bank fraud (false entries on bank documents, etc.) The OIG investigation disclosed that the other individual sold approximately 54,259 bushels of mortgaged corn for \$141,219 without remitting the proceeds to FSA. The other individual pled guilty to conversion of Commodity Credit Corporation (CCC) mortgaged property and bank fraud. In September 2005 the other individual was sentenced to serve a 1 day confinement, 6 months' home detention and 36 months' supervised release. He was also ordered to pay \$206,219 in restitution.

Family Members Sentenced, Ordered to Pay \$1.089 Million for Illegal Conversion of Mortgaged Cattle in Idaho

On July 31, 2006, a woman was sentenced in U.S. District Court, District of Idaho, to 3 years' probation and 80 hours of community service and was ordered to pay \$1,085,000 in restitution to FSA. On the same date, the woman's son was sentenced to 3 years' probation, ordered to pay joint restitution with his mother, and was fined \$4,000. The OIG investigation disclosed that the mother and son converted 305 head of cattle pledged as collateral to FSA. In May 2006 they pled guilty to theft/conversion of FSA collateral. FSA also has a lien against their property, which is valued in excess of \$1 million.

Company President in Arizona Sentenced, Ordered to Pay \$608,707 for Fraud in Market Access Program

On July 31, 2006, the president of an export management company was sentenced in U.S. District Court, District of Arizona, to serve 12 months in prison followed by 3 years of supervised release. He was also ordered to pay \$608,707 in restitution. The OIG investigation revealed that the company president submitted false claims pertaining to the Market Access Program (MAP), which pays half the promotional costs for selling American agricultural products to foreign countries. From December 2000 - March 2004 the company president submitted 44 claims totaling \$1,322,503 for payment to the Foreign Agriculture Service under MAP. He submitted fraudulent checks in support of the reimbursement claims and received \$585,057 in USDA funds. He was charged with theft and false statements.

Grocery Store Owner Sentenced in Florida and Illinois, Ordered to Pay \$1.4 Million in Restitution for Activities Related to Supporting Terrorism and Food Stamp Fraud

On July 25, 2006, the former owner of a retail grocery store was sentenced in U.S. District Court, Middle District of Florida (Tampa Division) to serve 37 months of incarceration for his participation in activities related to funding terrorism. An FBI investigation led to the individual pleading guilty in spring of 2006 to conspiracy to make or receive contributions of funds/goods/services to assist designated terrorists.

OIG investigated the former store owner's participation in the Food Stamp Program in Chicago. The OIG investigation revealed that former owner had illegally redeemed more than \$1.6 million in electronic food stamp benefits. He pled guilty to wire fraud and money laundering in connection with the food stamp trafficking scheme. The former owner was sentenced on August 18, 2006, in the U.S. District Court, Western District of Illinois to 51 months' incarceration (the 37 month/51 month incarcerations will run concurrently), 36 months' supervised release, and ordered to pay \$1.4 million in restitution.)

Grocery Store Owner and Brother Sentenced, Ordered to Pay \$516,000 for Food Stamp Fraud in Illinois

On July 26, 2006, the owner of a retail grocery store and his brother were sentenced in U.S. District Court, Northern District of Illinois. The owner was sentenced to 24 months' imprisonment and 36 months' supervised release. The brother was ordered to pay \$516,000 in restitution and a forfeiture of \$15,000. The OIG investigation disclosed that the owner and his brother illegally obtained and redeemed large quantities of food stamp benefits. In October 2005 the owner and his brother were charged along with a store employee on four counts of wire fraud and one count of food stamp benefit trafficking.

Wisconsin Bank President Sentenced, Ordered to Pay \$13.4 Million to FDIC for Bank Fraud Scheme Involving USDA Loans

On July 21, 2006, a former bank president was sentenced in the U.S. District Court, Western District of Wisconsin to serve 108 months in prison and was ordered to pay \$13.42 million in restitution to the Federal Deposit Insurance Corporation (FDIC), including an immediate payment of \$50,000. The OIG investigation disclosed that a Wisconsin farmer converted \$500,000 of chattel securing his guaranteed bank loans. The investigation determined that the former president of First National Bank of Blancharville, Wisconsin, participated in a \$17 million check-kiting scheme, a \$10.3 million loan scheme, and a \$2.2 million wire fraud scheme. The former bank president acknowledged that one of the USDA guaranteed loan recipients had in excess of \$300,000 in overdrafts that should have been reported to FSA. In April 2006 he pled guilty to one count of Bank Fraud. This OIG investigation was worked jointly with the FBI, IRS, and FDIC.

Arkansas Kennel Owners Sentenced, Agree to Forfeit \$1.3 Million in Assets and Pay \$42,000 to Animal Rescue Groups for Animal Welfare Act (AWA) Violations

On July 14, 2006, the owners of a kennel in Williford, Arkansas, were sentenced in the U.S. District Court, Eastern District of Arkansas for mail fraud and misprision (failure to report knowledge) of a felony. The OIG investigation disclosed that from January 1999 – December 2003, the kennel owners fraudulently made approximately \$3.5 million by selling dogs and cats to USDA licensed research facilities. The kennel owners admitted obtaining the majority of their dogs from unauthorized sources, in violation of the AWA. Both kennel owners pled guilty and agreed to forfeit \$200,000 in cash and 700 acres of land valued at \$1,100,000. They also agreed to pay a total of \$42,400 in partial reimbursements to 12 animal rescue groups. One of the kennel owners was sentenced to serve 6 months' home detention and 36 months' probation and was ordered to pay a \$7,500 fine. The spouse was sentenced to serve 24 months' probation and ordered to pay a \$2,500 fine.

Food Market Owner in New York Sentenced, Ordered to Pay \$200,000 for Food Stamp Fraud

On July 7, 2006, the owner of a market in Rochester, New York, was sentenced in U.S. District Court, Western District of New York to 60 months' probation and ordered to pay \$200,000 in restitution to USDA. The OIG investigation determined that during October 2001 - November 2002 the owner redeemed over \$1.1 million in illegally obtained food stamp benefits.

Indiana Producer Sentenced, Ordered to Pay \$315,000 for Conversion of Mortgaged Property and Bank Fraud

On July 10, 2006, a producer in Mount Vernon, Indiana, pled guilty in U.S. District Court, Southern District of Indiana to bank fraud and conversion of mortgaged property. He was sentenced to 24 months' incarceration and 36 months' supervised release and ordered to pay approximately \$315,000 in restitution. The OIG investigation disclosed that the producer obtained loans from different banks by misrepresenting the financial condition of his farming business. The producer also converted corn, soybeans, and wheat pledged as collateral on eight farm-stored crop loans totaling \$741,033 obtained from the Commodity Credit Corporation (CCC). The collateral was converted without the CCC's knowledge or permission. The producer used the fraudulently obtained bank loans in an attempt to repay the CCC.

Day Care Facility Owner in Louisiana Sentenced, Ordered to Pay \$142,000, and fined \$300,000 for Fraud Involving the Child and Adult Care Food Program

On July 6, 2006, a manager of a daycare facility in Monroe, Louisiana, was sentenced in U.S. District Court, Western District of Louisiana to probation for a term of 5 years, ordered to pay \$142,142 in restitution, and fined \$300,000. During December 2003 - February 2004, the owner and the manager submitted three false claims to the Louisiana Department of Education for reimbursements in connection with the Child and Adult Care Food Program. The manager pled guilty to two counts of mail fraud and one count of false statements. In June 2006 the owner was found guilty following a trial, and sentencing is pending.

Former Forest Service Firefighter Sentenced, Ordered to Pay \$2.4 Million for Setting Fires to National Forest System Land in California

On July 10, 2006, a former FS firefighter was sentenced in U.S. District Court, the Northern District of California to 4 months in prison, 4 months' home detention, 36 months' supervised release, and 150 hours of community service and was ordered to pay \$2,422,000 in restitution for intentionally setting three fires in the Los Padres National Forest in 2004.