

Office of Inspector General, USDA Investigation Developments

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FARM SERVICE AGENCY: *Missouri Grain Dealer Sentenced and Ordered to Pay \$27 Million in Restitution for Fraud and Conversion of Pledged Collateral*

An OIG investigation disclosed that a Missouri grain dealer falsely represented to area farmers that she could market their grain at above-market prices. The false representations enabled the grain dealer to become one of the largest grain dealers/shippers in Missouri. The dealer was engaged in a Ponzi-type scheme wherein she used proceeds from subsequent grain sales to pay the above-market prices she had promised to other farmers. Over time, the grain dealer was unable to pay all farmers due to insufficient funds. The dealer defrauded more than 180 farmers out of at least \$27 million in proceeds from grain sales made on their behalf. Additionally, the Commodity Credit Corporation (CCC) was not paid for \$480,000 from sales of mortgaged grain. After being charged with mail and wire fraud, interstate transportation of stolen property, and conversion of CCC-pledged collateral, the dealer pled guilty to one count of wire fraud. In February 2010, a Federal court in Missouri sentenced the grain dealer to serve nine years in Federal prison, ordered her to pay restitution of \$27.4 million, and to forfeit all property and assets. Additional State fraud charges are pending.

FOOD AND NUTRITION SERVICE: *Joint Investigation Results in Detroit Food Store Employees Sentenced, Ordered to Pay \$3.5 Million in Restitution for Wire Fraud and Money Laundering Involving SNAP Benefits.*

An investigation by OIG and the Internal Revenue Service (IRS) disclosed substantial Supplemental Nutrition Assistance Program (SNAP) trafficking and money laundering at two Detroit grocery stores. During April 2004 - 2006, store owners and employees conducted over 85 SNAP benefit-for-cash transactions. In September 2009, five individuals pled guilty to charges of conspiracy, wire fraud, and money laundering. In February 2010, a Federal court in Michigan sentenced one employee to 33 months of imprisonment and ordered him to pay \$1.9 million in restitution. A second employee was sentenced to 27 months of imprisonment and ordered to pay \$1.6 million in restitution. Sentencing is pending for the remaining individuals.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE: *Joint Investigation Results in a Two Year Sentence and \$3.9 Million in Restitution for Texas Company's Conspiracy to Defraud the Government*

A joint investigation revealed that a Texas food company forged Department of Agriculture (USDA) export certificates and Halal certificates to send expired and non-expired food products to Middle Eastern countries. Companies in these countries then supplied the food to U.S. military personnel in the Middle East. The company's owner directed his employees to wipe off expiration dates and re-stamp new dates prior to shipping. The company overcharged the Government by inflating trucking charges on invoices submitted to a Department of Defense (DOD) contractor. The owner pled guilty to conspiracy to defraud the

Government. In December 2009, he was sentenced by a Federal court in Texas to two years of imprisonment and ordered to pay \$3.9 million in restitution. Two other individuals pled guilty to conspiracy charges and are awaiting sentencing.¹

FOOD AND NUTRITION SERVICE: *Oklahoma Businesswoman Sentenced, Ordered to Pay \$1.6 Million in Restitution for False Statement and Claims Regarding the Child and Adult Care Food Program*

An OIG investigation disclosed that an Oklahoma businesswoman made false statements and claims on monthly meal reimbursement records in order to fraudulently obtain additional meal reimbursements from the Child and Adult Care Food Program (CACFP). In January 2010, after pleading guilty to theft of funds from the program, a Federal court in Oklahoma sentenced her to 41 months of imprisonment and ordered her to pay \$1.6 million in restitution. The court also issued forfeiture orders regarding a number of assets. They included a vehicle, travel trailer, boat, real property, and retirement accounts.

RISK MANAGEMENT AGENCY: *In Ongoing Investigation, Three North Carolina Men Sentenced and Ordered to Pay \$100,000 in Restitution for Fraud/Conspiracy Regarding Tobacco Crop Insurance*

An OIG investigation disclosed that three North Carolina men were involved in a fraud and conspiracy scheme in which a large number of farmers used false names to sell tobacco, thereby hiding their own production. Thereafter, they filed false crop insurance claims. Two of the men were charged with conspiracy to make false statements to the Federal Crop Insurance Corporation (FCIC). The third man was charged with conspiracy to launder money. All three were sentenced by a Federal Court in North Carolina in January 2010 to five years of probation. The court fined two of the men \$5,000 and \$10,000, respectively, and ordered them to pay \$100,000 in restitution, jointly and severally. The third individual was fined \$24,000. The OIG investigation also disclosed that numerous farmers, warehouse operators, insurance agents, and loss adjusters assisted in filing and concealing the false claims and cashing the checks. To date, this ongoing investigation has resulted in 13 individuals pleading guilty to various conspiracy and false statement charges. Five individuals were sentenced previously and four others are awaiting sentencing.

FOOD AND NUTRITION SERVICE: *Joint Investigation Results in Chicago Food Store Owner Being Sentenced, Ordered to Pay \$260,000 in Restitution for Wire Fraud and Money Laundering Involving SNAP*

A joint OIG and IRS investigation disclosed that during February 1999 - March 2001, a Chicago food store redeemed approximately \$2.4 million in SNAP benefits while having reported food sales of less than \$800,000. The store owner was charged with seven counts of wire fraud and one count of money laundering. In February 2010, an Illinois Federal court sentenced him to four months of community confinement (work release), one year of supervised release, and 100 hours of community service. He was also ordered to pay \$260,000 in restitution.

¹ The Defense Criminal Investigative Service (DCIS) and U.S. Army Criminal Investigation Command (CID) assisted in the investigation.