

Office of Inspector General, USDA
Investigation Developments

> January 10, 2006 <

Connecticut Food Distributor Pleads Guilty to Smuggling

On December 15, 2005, a food distribution company and owner pled guilty in a Connecticut Federal court to a felony count of smuggling. The OIG investigation disclosed that between 2001 and 2005, the company and owner imported 27,600 pieces of boneless chicken feet from Thailand that were falsely manifested as jellyfish. The product was distributed to stores in 11 states. Sentencing is scheduled for March 2006.

Virginia Woman Sentenced, Ordered to Pay \$55,661 for Food Stamp and Social Security Fraud

On December 19, 2005, a woman was sentenced in a Virginia Federal court to serve 18 months in prison, 36 months' probation, and was ordered to pay \$55,661 in restitution. The joint USDA-OIG and Social Security Administration (SSA)-OIG investigation disclosed that the woman failed to report her income to the Henrico County Department of Social Services and SSA. From January 2001 through November 2004, the woman fraudulently received food stamp benefits and Social Security benefits totaling \$55,661. The woman pled guilty in September 2005.

Former Nebraska State Caseworker Sentenced, Ordered to Pay \$78,000 for Welfare Fraud

On December 16, 2005, a former Nebraska State welfare caseworker was sentenced in a Nebraska Federal court to serve 24 months in prison, followed by 36 months of supervised release, and was ordered to pay \$78,000 in restitution to the USDA Food and Nutrition Service. The investigation, worked jointly with the U.S. Department of Health and Human Services OIG, disclosed that the former caseworker intentionally caused the payment of unauthorized welfare benefits, which included Food Stamp benefits, to at least 71 unqualified recipients, resulting in a loss of \$181,235. The former caseworker pled guilty in March 2005.

Export Company Owner in North Carolina Pleads Guilty to Fraudulent Cotton Export Scheme

On December 20, 2005, a company owner pled guilty in a North Carolina Federal court to conspiracy to defraud the Commodity Credit Corporation (CCC) and Export Credit Guarantee Program. The fraud amount in this case is approximately \$1.7 million. The OIG investigation, conducted with the FBI and the U.S. Postal Inspection Service, disclosed that the owner and other individuals committed theft of U.S. Government funds by fraud involving the Supplier Credit Guarantee Program of the CCC, Foreign

Agricultural Service (FAS). The fraudulent scheme involved, among other activities, exporting cotton product commodities to merchants/importers in Mexico by misrepresenting cotton products and inflating the prices, thereby netting the exporter an inflated amount upon default by the importer. The company inflated cotton prices to increase the USDA guarantee payment price, misrepresented cotton products in name/grade, forged documents, submitted false documents to FAS to obtain cotton export payments, and gave the appearance of a legitimate foreign affiliate directing the purchases. The investigation also determined that the owner used a similar scheme to defraud a Texas bank out of \$1.8 million. Sentencing has not been scheduled.

Michigan Producer Sentenced, Ordered to pay \$199,060 for Conversion of Secured Crops

On December 12, 2005, a producer from Unionville, Michigan, was sentenced in a Michigan Federal court to serve 5 months in prison, 5 months of home confinement followed by 36 months of supervised release, and was ordered to pay \$199,060 in restitution. The OIG investigation disclosed that from January 2001 to November 2001 the producer sold secured crops without FSA's approval and received net proceeds of approximately \$194,300. The producer did not apply proceeds from the sale of approximately 24,000 bushels of corn and 20,000 bushels of soybean to his operating loan as required. The producer pled guilty to one count of conversion in August 2005.

North Carolina Insurance Agent Sentenced, Ordered to Pay \$8.15 Million for Crop Insurance Fraud

On December 8, 2005, an insurance agent was sentenced in a North Carolina Federal court for participating in a scheme to defraud the Federal Crop Insurance Corporation and several private insurance companies. The insurance agent was sentenced to 27 months in prison followed by 36 months of supervised release and was ordered to pay \$8.15 million in restitution. The investigation disclosed that the insurance agent and five other individuals illegally obtained more than \$12 million in crop insurance payments from 1997 to 2003. To date, four subjects of this investigation have received sentences ranging from 14 months to 76 months in prison and were ordered to pay a total of \$12,636,728 in restitution. OIG conducted this investigation with the North Carolina State Bureau of Investigation, Henderson County Sheriff's Office, and agents from the Internal Revenue Service.

South Dakota Couple Sentenced, Ordered to Pay \$1 Million for Farm Program Fraud

On December 6, 2005, a husband and wife from Rapid City, South Dakota, were sentenced in the District of South Dakota for conspiracy to defraud the CCC and the Risk Management Agency (RMA). The couple was sentenced to each serve 37 months in Federal prison followed by 36 months of probation, and were ordered to pay a total of \$1 million in restitution. The OIG investigation disclosed that the couple conspired with three other individuals to make false claims/statements to the Farm Service Agency (FSA) in order to circumvent payment limitations and obtain FSA/RMA program payments. As a result, the husband and wife obtained \$1.6 million in unauthorized payments from 1996 to 2001. The husband, wife, and their co-conspirators were charged in January 2004 in South Dakota with conspiracy, false statements, and wire fraud.

Former Housing Director in Mississippi Pleads Guilty to Embezzling Self-Help Housing Funds

On December 2, 2005, a housing director pled guilty in a Mississippi Federal court to embezzling Rural Development (RD) self-help housing funds totaling \$69,634. Sentencing of the housing director is scheduled for March 2006. The OIG investigation disclosed that the housing director and two secretaries embezzled RD and HUD funds intended for low income recipients. The two secretaries pled guilty in May 2005. In July 2005, one secretary was sentenced to 36 months of probation and ordered to pay \$8,488 in restitution, and the second secretary was sentenced to 60 months' probation and ordered to pay \$11,226 in restitution.

New Jersey Business Owner Sentenced, Agrees to Pay \$1.1 Million for Fraud Involving Federal Small Business Grants

On November 9, 2005, a business owner was sentenced in a New Jersey Federal court to serve 12 months' home confinement and 60 months' probation for mail fraud and income tax evasion. He entered into a civil settlement and agreed to pay \$1,111,586 in restitution to several Federal agencies and \$288,414 in interest and penalties resulting from his income tax evasion. The OIG investigation, conducted jointly with multiple Federal agencies, disclosed that the business owner applied for grants from several Federal agencies through the Small Business Innovation Development Act and was awarded multiple grants totaling \$1.4 million, including a \$65,000 Small Business Innovation Research grant from USDA. The business owner submitted the same research proposal to each Federal agency and submitted results he had obtained from prior research. The business owner pled guilty to mail fraud and income tax evasion in June 2004.