

Office of Inspector General, USDA
Investigation Developments

> March 30, 2006 <

Former School District Food Service Director in Pennsylvania Sentenced for Embezzling School Lunch Funds

On March 3, 2006, a former food service director with a school district in Pennsylvania was sentenced in a U.S. Federal court in Pennsylvania to a 24-month probationary term; the first year is to be served in home confinement for her conviction for embezzling from programs receiving Federal funds. The OIG investigation disclosed that between 2001 and 2003, the former director embezzled \$18,239 from the Department of Agriculture (USDA) School Lunch Program. She resigned from her position in October 2003. In November 2005 she pled guilty to theft of Government funds.

Philadelphia Grocery Store Owner Sentenced for Food Stamp Fraud

On March 6, 2006, a co-owner of a Philadelphia grocery store was sentenced in a U.S. Federal court in Pennsylvania to 60 months' probation and 6 months' house arrest and was ordered to pay \$18,240 in restitution to USDA and a fine of \$100. The OIG investigation disclosed that storeowners conspired to commit food stamp fraud. In August 2002, one owner was convicted in U.S. Federal Court, Philadelphia, Pennsylvania, of food stamp fraud and money laundering. In November 2005, the co-owner pled guilty in U.S. Federal Court, Eastern District of Pennsylvania to an estimated \$400,000 in food stamp fraud.

Former Wildland Firefighter Sentenced for Kidnapping and Rape

On March 7, 2006, a former Forest Service (FS) firefighter was sentenced in the Central District of California to serve 36 years to life for kidnapping and raping a FS firefighter. The investigation disclosed that in April 2005, the firefighter kidnapped and raped the female firefighter. On October 25, 2005, a guilty verdict was returned on 5 of 6 counts which related to the actions involving rape and kidnapping. OIG conducted this investigation with the Los Angeles County Sheriff's Department.

Former NRCS Employee Pleads Guilty to Embezzlement, Pays \$68,266 in Restitution

On March 6, 2006, a former secretary with Natural Resources Conservation Service pled guilty in the Eastern District of Arkansas to embezzlement. As part of the plea agreement, the former secretary paid \$68,266 in restitution to the U.S. District Clerk of Court immediately after the hearing. The OIG investigation disclosed that from 2001 to 2005, the former secretary embezzled \$68,266 by writing checks payable to her that were

extra payroll checks, and by cashing in annual leave to which she was not entitled. Sentencing is pending.

Executive Director of a Mississippi Non-Profit Housing Association Sentenced, Ordered to Pay \$69,634 in Restitution for Embezzlement of Rural Housing Funds

On March 3, 2006, an executive director of a Mississippi non-profit housing association was sentenced in U.S. District Court, Southern District of Mississippi, to serve 6 months' incarceration, 5 months' house arrest with electronic monitoring, 36 months of supervised release, and to pay restitution in the amount of \$69,634. The OIG investigation disclosed that the non-profit housing association received \$244,000 in grant funds to provide technical assistance to low- and very low-income families who received housing loans to build homes in rural areas through the Self-Help Housing Program. The executive director and the two employees embezzled the funds by issuing additional paychecks to themselves to which they were not entitled and by forging the signatures of contractors on checks and cashing the checks in a double-billing scheme. One employee was previously sentenced to 36 months' probation and ordered to pay \$8,488 in restitution. The second employee was sentenced to 60 months' probation and was ordered to pay \$11,226 in restitution. Both employees cooperated in the investigation by testifying against the executive director.

Couple Sentenced in Oklahoma for Sale of Mortgaged Cattle

On March 2, 2006, a man and woman were sentenced in the Western District of Oklahoma to 27 months' incarceration, 24 months of supervised release, and ordered to pay \$115,000 in restitution and a \$5,000 fine. The OIG investigation disclosed that between April 2002 and October 2003, the woman sold mortgaged cattle in excess of \$68,530 in the name of her boyfriend. The proceeds of the sales were not used to pay off the two Farm Service Agency (FSA) operating loans totaling \$171,900. Instead portions of the proceeds were used to purchase two homes and property in the local area.

Producer in Arkansas Sentenced, Ordered to Pay \$101,044 in Restitution for Conversion of USDA-Mortgaged Collateral

On February 17, 2006, a producer was sentenced in Federal court in Arkansas to serve 6 months of home confinement, 36 months' probation, and was ordered to pay \$101,044 in restitution. The OIG investigation disclosed that between November 2002 and December 2003, the producer sold approximately 28,319 bushels of FSA mortgaged soybeans for \$158,252 and 19 pieces of farm equipment for \$19,151 without consent from the agency. The producer was charged in July 2005 with two counts of conversion of mortgaged collateral.

Ohio Grocery Store Owner Pleads Guilty to Theft of \$207,000 Funds Related to Food Stamp and WIC Fraud

On February 22, 2006, the owner of a retail grocery store in Columbus, Ohio, pled guilty to theft of Government funds in the amount of \$207,000 during January – July 2004, and to filing a fraudulent tax return. The OIG investigation disclosed that the owner illegally redeemed approximately \$781,000 in USDA Food Stamps and Women, Infants, and Children (WIC) benefits. The owner's wife also failed to report to a county department that she and her husband owned and operated the retail grocery store. As a result, she improperly received over \$35,000 in food stamp and medical benefits. The investigation was conducted jointly with Immigration and Customs Enforcement, the Internal Revenue Service, and the Ohio Department of Taxation.

Former Contract Attorney with Rural Development in North Carolina Sentenced, Ordered to Pay \$390,000 in Restitution for Theft of Government Funds

On February 23, 2006, a former contract attorney with Rural Development (RD) was sentenced in Federal court in North Carolina to 29 months' incarceration and 36 months' supervised release, and was ordered to pay approximately \$390,000 in restitution, of which \$82,000 will go to RD. The OIG investigation disclosed that the former contract attorney conducted the sale for three RD foreclosures and diverted \$180,129 in proceeds for his personal use. He also diverted \$12,000 from a local township and \$283,000 in proceeds from a home refinance and purchase of a mobile home, unrelated to RD, in which he was the trustee. The funds were deposited into his trust account which was used to finance political projects in Liberia. He was disbarred in April 2005, and in October, he pled guilty to a four-count indictment charging him with theft of Government funds, wire fraud, and mail fraud.

Two Individuals in Puerto Rico Sentenced For Scheme Involving Hurricane Relief Assistance

On February 13 and 17, 2006, a woman and a man were sentenced in the District of Puerto Rico to 27 and 48 months' incarceration, 3 years' probation, and assessed court fees of \$3,300 and \$5,500, respectively. The OIG investigation identified numerous individuals who were involved in a scheme to obtain fraudulent loans and other incentives from FSA as a result of losses caused by Hurricane George in 1998. The individuals have repaid \$10,124,671 in loan principal and interest to FSA. There is still a debt of approximately \$3 million that has to be paid by the subjects.

Man Sentenced in South Dakota, Ordered to Pay \$24,306 in Restitution in Conspiracy Regarding Farm Program Payments

On February 14, 2006, a man was sentenced in the District of South Dakota to serve 3 years' probation and ordered to pay \$24,306 in restitution and a fine of \$1,500. The OIG investigation disclosed that a husband and wife conspired with three other individuals to make false statements to FSA in order to circumvent payment limitations and obtain

FSA/Risk Management Agency program payments. As a result, the husband and wife obtained \$1.35 million in unauthorized payments during 1996 - 2001. The husband, wife, and other conspirators were charged in January 2004 on charges of conspiracy, false statements, and wire fraud. Four subjects received sentences ranging from 37 months in Federal prison to 36 months' probation and were ordered to pay over \$1 million in restitution.

Owner of Grocery Stores in Cleveland and Detroit Enters Guilty Pleas Related to Major Food Stamp and WIC Conspiracies

On February 13, 2006, the owner of retail grocery stores in Cleveland, Ohio, and Detroit, Michigan, pled guilty in the Northern District of Ohio to conspiracy to convert \$24 million in food stamps; conspiracy to illegally traffic \$225,000 in Women, Infants, and Children (WIC) vouchers; conspiracy to money laundering involving \$3.3 million domestically and \$1 million internationally; conspiracy regarding the hiring of illegal aliens; and tax charges. The OIG investigation disclosed that this individual and his uncle were illegally trafficking in food stamps and WIC vouchers. The store owner and his uncle fled the U.S. in May 1996. In February 2000, a U.S. district court judge issued a \$71 million summary judgment against these individuals. In September 2005, OIG and IRS criminal investigations agents, along with personnel from the U.S. Marshal's Service and Customs and Border Protection, arrested the owner of the retail grocery stores upon his return to the U.S. The uncle remains a fugitive.

Former Forest Service Employee Pleads Guilty to Setting Fires

On February 13, 2006, a former Forest Service employee pled guilty in the Northern District of California to violations of setting timber afire on public lands. The OIG investigation disclosed that the employee intentionally set three fires on the Los Padres National Forest which burned in excess of 7.5 acres. Sentencing is scheduled for May 2006.

Woman in Montana Sentenced, Ordered to Pay \$108,558 in Restitution Regarding False Statements for Rural Development Assistance

On February 17, 2006, a woman was sentenced in the District of Montana to 71 months' incarceration and was ordered to pay \$108,558 in restitution. The OIG investigation disclosed that, as president of a non-profit organization, the woman submitted false statements in order to obtain a \$135,000 Rural Development Community Facilities Loan. On October 2005, the woman pled guilty in a U.S. district court in Montana to 3 counts of making false statements.

Iowa Producer Pleads Guilty to Grain Conversion

On February 6, 2006, an Iowa producer pled guilty in a Federal court in Iowa to two counts of grain conversion. The OIG investigation determined that the producer sold

approximately \$200,000 worth of mortgaged grain and failed to remit sales proceeds to the Farm Service Agency. Sentencing has not yet been scheduled.

Indiana Men Sentenced, Ordered to Pay a Total of \$278,000 in Restitution for Defrauding State Agency

On January 5, 2006, an Indiana man was sentenced on State charges to serve 72 months in State prison (36 months suspended), 36 months' probation, and was ordered to pay \$16,500 in restitution. On the same day, a second Indiana man was sentenced to serve 60 months in State prison (24 months suspended), 36 months' probation, and ordered to pay \$261,500 in restitution. The joint investigation disclosed that during June 2001 – April 2004, the two men and two other co-defendants conspired to defraud the Indiana Family and Social Services Administration (FSSA) by means of forgery, theft, submission of false documents, bribery, and identity theft, resulting in over \$600,000 in losses. (Funds provided by USDA's Food and Nutrition Service were involved.) OIG worked this investigation jointly with the Indiana State Police, the FSSA Investigative Bureau, and the Marion County Prosecutors Office.

Virginia Woman Pleads Guilty to False Statements Regarding Food Stamp Benefits

On January 5, 2006, a woman pled guilty in a Federal court in Virginia to making false statements. The joint OIG – SSA OIG investigation disclosed that the woman failed to report income she received from alimony during the time period of March 1996 through May 2005. As a result, the woman received food stamps and other benefits totaling \$44,353 to which she was not entitled. The woman was charged on October 18, 2005, in the Eastern District of Virginia with making false statements. Sentencing is scheduled for March 2006.

North Carolina Insurance Adjuster Sentenced, Ordered to Pay \$162,251 in Restitution for Role in Crop Insurance Scheme

On December 8, 2005, an insurance adjuster was sentenced in a Federal court in North Carolina for participating in a scheme to defraud the Federal Crop Insurance Corporation and several private insurance companies. The insurance adjuster was sentenced to 4 months in prison, followed by 6 months' home detention and 2 years' supervised release. He was also ordered to pay \$162,251 in restitution. The joint investigation disclosed that the insurance adjuster and five other individuals illegally obtained more than \$12 million in crop insurance payments between 1997 and 2003. Five subjects of this investigation were previously sentenced and received sentences ranging from 14 months to 76 months in prison and were ordered to pay a total of \$12,636,728 in restitution. This was a joint investigation with the North Carolina State Bureau of Investigation, Henderson County Sheriff's Office, and agents from the Internal Revenue Service, Criminal Investigation.