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FEDERAL ARRESTS SPOTLIGHT PROBLEM OF FOOD STAMP FRAUD

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and BRIAN L. HAASER, the Special Agent-in-Charge for Investigations, Northeast Region, of the United States Department of Agriculture, Office of Inspector General, announced the unsealing of charges against 8 individuals for defrauding the federal Food Stamp Program of nearly \$8 million. Each of these individuals, who were employees or owners of six different grocery stores in Manhattan, the Bronx, and Westchester, New York, were charged in criminal Complaints, as part of "Operation Fraud Stamp," with exchanging food stamp benefits for cash while keeping a portion of that cash for themselves. [Under the rules of the Food Stamp Program, food stamp benefits may not be exchanged for cash and may only be exchanged for certain eligible foodstuffs.] 7 of the 8 individuals charged were arrested earlier today; 1 is still at large. In conjunction with the arrests this morning, law enforcement officials seized bank accounts belonging to the 6 stores.

In each of these cases, a statistical analysis of the store's food stamp redemptions indicated a high likelihood of fraud. [See below for an example.] Between October 2006 and April 2007, confidential informants -- utilizing video and audio recording devices -- were able to exchange food stamp benefits for cash on several occasions at each store to confirm the fraud.

Each defendant presently faces one count of converting public money, property, or records. If convicted, each defendant faces a maximum sentence of 10 years' imprisonment, 3 years of

supervised release, restitution, and a fine dependent on the loss caused by the defendant.

According to the criminal Complaints filed in Manhattan federal court, and the affidavits in support of each Complaint, a description of each case is listed below:

WEST FIRST SUPERMARKET

NIURKA J. POLANCO, 39, has been the owner and operator of West First Supermarket (formerly Polanca 144 Grocery) -- located at 144 West First Street, Mount Vernon, New York -- from at least February 1992 through the present. The chart below compares the food stamp redemptions between 2003 and the first three months of 2007 involving West First Supermarket and a nearby retailer of similar size:

Year	West 1st	Similar Store
2003	\$344,386.73	\$57,609.12
2004	\$660,758.47	\$60,595.60
2005	\$775,487.67	\$71,421.36
2006	\$779,881.00	\$77,349.63
2007	\$127,000	\$18,912.88
TOTAL	\$2,687,513.87	\$275,888.59

Several other factors indicated that the staggering volume of food stamp redemptions at West First Grocery resulted from fraud. For instance, a high percentage of the total food stamp redemptions by West First Grocery involved transactions of \$50 or more. Such transactions, if legitimate, would be unusual in light of -- among other things -- the store's small size and lack of counter space; the very limited supply of eligible food items at the store; the lack of any shopping carts or baskets at the store; the lack of any delivery service from the store; and the lack of any advertisements for the sale of eligible food items.

Investigators confirmed the fraud in approximately twenty-seven transactions between approximately January 2003 and March 2007, in which confidential informants fraudulently exchanged thousands of dollars worth of food stamp benefits for cash.

RAJ WEST INDIAN AND AMERICAN GROCERY

RAJENDRA KUMAR, 41, has been the owner and operator of Raj West Indian and American Grocery -- located at 260 East Burnside Avenue in the Bronx -- from at least April 2002 through the present. The chart below compares the food stamp redemptions between 2005 and the first three months of 2007 involving Raj West Indian and American Grocery, and two surrounding retailers of similar size:

Year	Raj West Indian	Similar Store #1	Similar Store #2
2005	\$588,225.83	\$23,690.40	\$26,104.29
2006	\$1,113,271.67	\$24,367.37	\$31,933.56
2007	\$214,787.00	\$6,735.09	\$7,325.56
TOTAL	\$1,916,284.50	\$54,793.86	\$65,365.41

Several other factors suggested that the overwhelming volume of redemptions at Raj West Indian and American Grocery could be attributed to fraud. For instance, a high percentage of the store's food stamp redemptions involved whole (or even) dollar amounts, which is rare to find in purchases of eligible food items. In addition, nearly 90% of the total food stamp redemptions by Raj West Indian and American Grocery involved transactions of \$50 or more.

Investigators confirmed the fraud in approximately sixteen transactions between approximately October 2006 and April 2007 in which three different confidential informants fraudulently exchanged thousands of dollars worth of food stamp benefits for cash. [A video recording of a portion of one of the transactions is attached as a exhibit to an affidavit filed in the case.]

Stop One Grocery

JOSE V. URENA, 45, has been the owner of Stop One Grocery, a/k/a "New Watson Food Market, Inc." -- located at 1580 Watson Avenue in the Bronx -- from at least January 2005 through the present. RAMON CAESARES was an employee of the store at the time. From approximately January 2005 through March 2007, Stop One Grocery redeemed approximately \$1,620,000 in food stamp benefits. During that same time period, two surrounding retailers of similar size redeemed a total of approximately \$94,000 and \$78,000, respectively. Additionally, approximately

62% of Stop One Grocery's redemptions for this period involved transactions of \$50 or more.

Year	Stop One Grocery	Similar Store #1	Similar Store #2
2005	\$849,795.50	\$43,791.07	\$24,959.55
2006	\$626,108.44	\$40,906.59	\$42,261.01
2007	\$141,019.04	\$9,261.15	\$10,417.89
TOTAL	\$1,616,922.98	\$94,318.81	\$77,638.45

Investigators confirmed the fraud in approximately 5 transactions between approximately November 2006 and March 2007 in which a confidential informant fraudulently exchanged food stamp benefits for cash.

Kianely Food Corp.

ALEJANDRO RAFAEL SANTELISES, 44, has been the owner of Kianely Food Corp., (previously known as 1386 Nelson Avenue Food Corp.) -- located at 1386 Nelson Avenue in the Bronx -- from at least January 2003 through the present. From approximately January 2003 through December 2006, Kianely Food Corp. redeemed approximately \$790,000 in food stamp benefits. During that same time period, two surrounding retailers of similar size redeemed a total of approximately \$336,000 and \$343,000, respectively.

Year	Kianely Food Corp.	Similar Store #1	Similar Store #2
2003	\$136,557.63	\$64,606.62	\$82,464.72
2004	\$168,924.04	\$82,208.20	\$77,880.28
2005	\$266,672.90	\$97,720.60	\$85,685.28
2006	\$217,657.48	\$103,771.92	\$97,720.14
TOTAL	\$789,812.05	\$348,307.34	\$343,750.42

Investigators confirmed the fraud in approximately 6 transactions between approximately December 2006 and March 2007 in which a confidential informant fraudulently exchanged food stamp benefits for cash.

SANTELISES remains at large.

125 Lexington Food Mart Corp.

HAMMAM ALHANHANAH, 47, has been an employee of 125 Lexington Food Mart Corp -- located at 2054 Lexington Avenue in the Bronx -- from at least October 2006 through the present. During the time period from approximately May 2006 through March 2007, 125 Lexington Food Mart Corp redeemed approximately \$1,443,723.63 in food stamp benefits. During that same time period, two surrounding retailers of similar size redeemed a total of only approximately \$288,354.01 and \$185,411.04, respectively. Additionally, approximately 87% of 125 Lexington Food Mart Corp's redemptions for this period involved transactions of \$50 or more.

Investigators confirmed the fraud in approximately 15 transactions between approximately October 2006 and April 2007 in which three different confidential informants fraudulently exchanged over one thousand dollars worth of food stamp benefits for cash. ALHANHANAH was the store employee engaging in each of these transactions.

AKHILA INC.

LOKESH BHAT, 42, and RAVEENDRA PUTTURAMU, 54, worked at Akhila Grocery -- located at 2489 7th Avenue in the Bronx -- from approximately October 2006 through the present. Both fraudulently debited food stamp benefits from EBT cards at Akhila.

USDA records show that, for the last 12 months, over \$689,000 in EBT benefits were redeemed at Akhila. This figure is almost twice as much as the store's total estimated food sales, which Akhila informed the USDA in 2004 was approximately \$350,000. From approximately January 1, 2005, through February 28, 2007, approximately 75% of the approximately \$935,262.70 in total food stamp benefits redeemed at Akhila involved transactions of \$50.00 or more.

Investigators confirmed the fraud in approximately 19 transactions between approximately October 2006 and April 2007 in which three confidential informants fraudulently exchanged thousands of dollars worth of food stamp benefits for cash.

The arrested individuals are expected to appear later this afternoon in Manhattan federal court before United States Magistrate Judge DEBRA C. FREEMAN.

Mr. GARCIA praised the investigative efforts of the United States Department of Agriculture, Office of Inspector General, and the Federal Bureau of Investigation. Mr. GARCIA also thanked the New York City Police Department for their assistance in the investigation.

Mr. GARCIA added, "Last year, the federal Food Stamp Program provided an estimated \$30 billion in taxpayer money to nearly 27 million needy individuals and families. The individuals arrested today allegedly abused and undermined the integrity of this Program; they used it like an ATM machine, draining millions of dollars of taxpayer money."

Mr. HAASER said, "These arrests and prosecution help USDA ensure the integrity of this important program so the benefits are available for those who need them."

Assistant United States Attorneys SHARON E. FRASE, LISA P. KOROLOGOS, STEPHEN A. MILLER, JULIAN J. MOORE, and PARVIN D. MOYNE are in charge of these prosecutions.

The charges and allegations contained in the criminal Complaints are merely accusations, and each defendant is presumed innocent unless and until proven guilty.

Further information about food stamp trafficking is available in the October 2006 report Food Stamp Trafficking, by the United States Government Accountability Office (<http://www.gao.gov/new.items/d0753.pdf>).

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