

UNITED STATES DISTRICT COURT

for the District of New Jersey

ORIGINAL FILED
MAY 15 2013
WILLIAM T. WALSH, CLERK

United States of America)
v.)
ALEXANDER VARGAS)

Case No. 13-2044 (JS)

Defendant(s)

CRIMINAL COMPLAINT

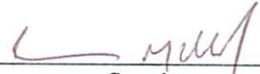
I, the complainant in this case, state that the following is true to the best of my knowledge and belief.

On or about the date(s) of Feb. 15, 2012 through Dec. 7, 2012 in the county of Camden in the District of New Jersey, the defendant(s) violated:

<i>Code Section</i>	<i>Offense Description</i>
18 U.S.C. Section 641	See Attachment A

This criminal complaint is based on these facts:
See Attachment B

Continued on the attached sheet.


Complainant's signature

GAVIN RUDDY, USDA Special Agent
Printed name and title

Sworn to before me and signed in my presence.

Date: 05/15/2013

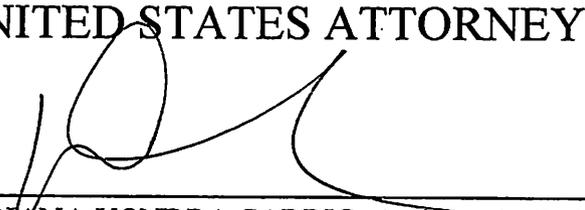

Judge's signature

HON. JOEL SCHNEIDER, U.S. Magistrate Judge
Printed name and title

City and state: Camden, New Jersey

CONTENTS APPROVED

UNITED STATES ATTORNEY

By: 

DIANA VONDRA CARRIG, Assistant U.S. Attorney

Date: May 15, 2013

ATTACHMENT A

From at least as early as on or about February 15, 2012, through December 7, 2012, in Camden County, in the District of New Jersey, elsewhere, defendant

ALEXANDER D. VARGAS

knowingly embezzled, stole and converted to his own use, and the use of others, property of the United States, that is, benefits from the United States Department of Agriculture, Supplemental Nutrition and Assistance Program (formerly known as the Federal Food Stamp Program), having a value in excess of \$1,000, which came into his possession and control by virtue of his participation in the business of Eddies Grocery Store, 1548 Mouth Ephraim Avenue, Camden, New Jersey, an authorized retailer for the United States Department of Agriculture, Supplemental Nutrition and Assistance Program.

In violation of Title 18, United States Code, Section 641.

ATTACHMENT B

I, Gavin Ruddy, being duly sworn, depose and say:

1. I am a Special Agent with the United States Department of Agriculture (USDA), Office of Inspector General (OIG), at King of Prussia, Pennsylvania and have been so employed since 2005. I served as a Special Agent with the U.S. Department of State, OIG, from 2002 to 2005. I have approximately 20 years of law enforcement experience at the Federal and local levels. As a USDA Special Agent, my responsibilities and experience include investigating violations within programs sponsored by the USDA, including unlawful food stamp trafficking.
2. The statements contained herein are based in part on information provided by other law enforcement personnel, cooperating witnesses, and individuals with expert knowledge of the alleged violations being investigated. I have not set forth all the facts known to me but only those facts necessary to establish probable cause to believe that ALEXANDER VARGAS has stolen and embezzled United States funds, in violation of Title 18, United States Code, Section 641.

THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

3. The USDA administers the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Federal Food Stamp Program. Retail food stores that have been approved for participation in the SNAP may sell food in exchange for food stamp benefits. Food stamp benefits may not lawfully be exchanged for cash. 7 U.S.C. § 2024(b); 7 C.F.R. §§ 271.2, 278.2.
4. Section 2024(b) of Title 7 of the United States Code provides in pertinent part: "Whoever knowingly uses, transfers, acquires...or possesses coupons, ... or access devices in any manner contrary to [law] or... regulations... shall ... be guilty of [a crime]. . . ."
5. 7 C.F.R. 278.2 prohibits an authorized retail food store from accepting food stamp coupons in exchange for cash. 7 C.F.R. 271.2 defines "coupons" as, among other things, access devices, "including [an] electronic benefit transfer card."
6. Every food stamp recipient receives an Electronic Benefits Transfer (EBT) card, similar to a debit card, with which to make purchases. Every retailer authorized to accept food stamp benefits has an EBT terminal. At all times relevant to this affidavit, Affiliated Computer Services, a division of Xerox, processed SNAP payments for the state of New Jersey. The

processing includes the electronic debiting of a SNAP holder's account and the crediting of the SNAP merchant's bank account. The crediting of the SNAP merchant's bank account is done by wire transfer.

7. When purchasing food, the beneficiary provides the card to the retailer, who then swipes the EBT card through the EBT terminal. After the customer enters a secret Personal Identification Number (PIN), the EBT terminal verifies the PIN, determines whether the customer's account balance is sufficient to cover the proposed transaction and informs the retailer whether the transaction should be authorized or denied. If the transaction is authorized, the amount of the purchase is then deducted electronically from the food stamp benefits reserved for the customer, and the amount is credited to the retailer's designated bank account.
8. As a result of my training and experience, I have become familiar with a number of schemes employed by individuals and entities to defraud SNAP, including food stamp trafficking, in which retailers allow customers to exchange food stamp benefits for cash, charging the customer a significant percentage of the amount of the unlawful transaction in the process.

THE INVESTIGATION AT EDDIES GROCERY

9. In 2007, an individual, N.E., filed an application with the USDA, Food and Nutrition Service (FNS) to become a SNAP-eligible food merchant at his business, Eddies Grocery, 1548 Mt. Ephraim Avenue, Camden, New Jersey (currently, Andres' Grocery Store). In his application, N.E. stated that he anticipated earning receipts of approximately \$280,000 annually, which would average approximately \$23,333 per month. On November 11, 2007, Eddies Grocery was approved to participate in the SNAP program.
10. From in or about November 2007 through in or about December 2012, the SNAP EBT terminal and other equipment issued to Eddies Grocery was contained inside Eddies Grocery. During that time period, Eddies Grocery operated as a small grocery store selling a variety of foods, with a sandwich counter and one cash register.¹
11. N.E. designated Sovereign Bank (account #####5367) ("the Eddies Grocery Account") as the bank at which the SNAP deposits for Eddies Grocery were to be deposited. On or about

¹ As discussed further herein, on or about December 7, 2012, EDDIES GROCERY stopped redeeming SNAP benefits. An application for a new store -- Andres Grocery Store -- to participate in the SNAP program at the same address of EDDIES GROCERY, that is, 1548 Mount Ephraim Avenue, Camden, New Jersey, was received at USDA FNS on January 29, 2013, and was approved on or about April 23, 2013.

February 15, 2012, defendant ALEXANDER VARGAS was added as an authorized cosigner to the Eddies Grocery Account at Sovereign Bank. VARGAS and N.E. were the only two people authorized to access the Eddies Grocery Account. Records obtained from Sovereign Bank show that N.E. was listed as the owner of Eddies Grocery and that VARGAS, when he was added to the account, was listed as the manager.

12. Between June 7, 2012 and October 4, 2012, a cooperating witness (CW)² and an undercover law enforcement officer (UC), working at the direction of USDA OIG agents, exchanged a total of approximately \$1,359.75 in Food Stamp SNAP benefits for \$650 cash at Eddies Grocery.
13. On at least one occasion, that is, on October 4, 2012, when both the CW and UC exchanged benefits for cash, defendant ALEXANDER VARGAS was physically present in the store. All of the transactions by the CW and/or UC at Eddies Grocery were recorded on audio and video. The following chart details the transactions that took place:

Date of Store Visit to Eddies Grocery	Amount debited from SNAP EBT card	Amount of cash received in exchange for SNAP benefits
June 7, 2012	\$209.23	\$100.00 (CW)
July 2, 2012	\$314.98	\$150.00 (CW)
July 9, 2012	\$217.99	\$100.00 (CW)
October 4, 2012	\$308.50	\$150.00 (CW)
October 4, 2012	\$309.05	\$150.00 (UC)

14. During debriefings with the CW after the CW exchanged food stamp benefits for cash at Eddies Grocery, the CW stated, in substance and in part, that he/she has observed numerous people exchanging SNAP benefits for cash.
15. According to the post-transaction debriefings with the CW and/or UC, on the occasions when the CW and UC exchanged SNAP benefits for cash:
 - a. He/she approached the counter;

² The CW has a long track record of reliable and credible undercover work beginning in or about 2010 and encompassing more than 20 other investigations. In addition, law enforcement has been able to independently corroborate the information provided by the CW in this case through the use of an undercover food stamps benefit card, consensual recordings and surveillance operations.

- b. Told the counter worker the amount of SNAP EBT benefits he/she would like to exchange;
 - c. The counter worker then swiped the SNAP EBT card in the EBT terminal, and sought authorization for the dollar amount; and
 - d. When the authorization came through, the counter worker gave cash to the CW and/or UC in an amount that was approximately ½ of the entire amount charged.
16. A review of USDA records for the relevant time period showed that Eddies Grocery was credited for the full amount charged by the CW and/or UC during each of the undercover transactions into a designated bank account. Thus, for example, on July 2, 2012, the CW received \$150.00 in cash, but was charged \$314.98 against his/her available SNAP benefits. Eddies Grocery credited \$314.99, thus pocketing \$164.99 on the transaction.
17. In addition to the fraudulent benefits for cash transactions conducted by the CW and UC, the large volume of food stamp benefits cashed at Eddies Grocery is indicative of large scale food stamp fraud, particularly given the relatively small size of the grocery store and the fact that the store had only one cash register.
18. I collected data on the total dollar amount paid to Eddies Grocery under SNAP since February 2012 when defendant ALEXANDER VARGAS was added to the Sovereign Bank account and have summarized that data in the following chart. The chart shows that Eddies Grocery has received reimbursement from the USDA in amounts that substantially exceed the estimates that N.E. provided in his application.

Month / Year	SNAP Redemptions	Reported expected monthly redemptions	Difference
11/2012	\$330,525.81	\$23,333.00	\$307,192.81
10/2012	\$344,134.75	\$23,333.00	\$320,801.75
09/2012	\$338,930.30	\$23,333.00	\$315,597.30
08/2012	\$320,269.62	\$23,333.00	\$296,936.62
07/2012	\$331,932.59	\$23,333.00	\$308,599.59
06/2012	\$315,867.62	\$23,333.00	\$292,534.62
05/2012	\$289,723.15	\$23,333.00	\$266,390.15
04/2012	\$292,545.28	\$23,333.00	\$269,212.28
03/2012	\$293,100.57	\$23,333.00	\$269,767.57

02/2012	\$245,968.65	\$23,333.00	\$222,635.65
Total:	\$3,102,998.34	\$233,330.00	\$2,869,668.34

19. The reimbursements for SNAP benefits were transferred into the Eddies Grocery Account at Sovereign Bank (account #####5367 in the names of N.E. and defendant ALEXANDER VARGAS) by wire transfers from Affiliated Computer Services, a division of Xerox, who processed SNAP payments for the state of New Jersey.
20. During the course of this investigation and pursuant to lawfully issued subpoenas, law enforcement officers obtained bank records for the Eddies Grocery Account from Sovereign Bank during the time period from in or about January 2009 through December 2012. A review of those records revealed the following:
- a. Total cash withdrawals from the Eddies Grocery Account for the year 2012 were approximately \$3,109,776. From February 15, 2012 (when defendant ALEXANDER VARGAS was added as an authorized cosigner on the account) through December 2012, approximately \$2,548,510 in cash withdrawals were conducted.
 - b. From February 15, 2012 through December 7, 2012, defendant ALEXANDER VARGAS made approximately 40 withdrawals from the Eddies Grocery Account totaling approximately \$1,869,266. Approximately 38 of the withdrawals were in cash using withdrawal slips, each of which bore the signature "Alex Vargas." Approximately two of the withdrawals were by other means: (1) on or about November 19, 2012, defendant ALEXANDER VARGAS had a cashier's check in the amount of \$75,000 issued from the Eddies Grocery Account to the "Vargas Mini-Market" – a store owned by VARGAS' brother, B.F.; and (2) on or about December 7, 2012, VARGAS opened a new business account at the Sovereign Bank in his name, Account Number #####0410, and transferred approximately \$150,000 from the Eddies Grocery Account into his new account.
 - c. During the same time period – from February 15, 2012 through December 7, 2012,³ N.E. made approximately 19 cash withdrawals from the Eddies Grocery Account

³ All 19 of the cash withdrawals were made by N.E. during the time period from June 20, 2012, through September 13, 2012. As explained more fully herein, N.E. died in the Dominican Republic on or about November 26, 2012.

- totaling approximately \$717,000. Each of the withdrawal slips bore the printed name "N.E."
- d. On or about February 22, 2012 (approximately seven days after defendant ALEXANDER VARGAS was added as an authorized cosigner on the account), ALEXANDER VARGAS made a cash counter withdrawal for \$15,000 at Sovereign Bank. The withdrawal slip bears the signature, "Alex Vargas."
 - e. ALEXANDER VARGAS made a cash counter withdrawal at Sovereign Bank for \$60,500 on or about June 8, 2012, approximately one day after the CW conducted an illegal SNAP transaction in Eddies Grocery.
 - f. ALEXANDER VARGAS made a cash counter withdrawal at Sovereign Bank for \$40,000 on or about October 4, 2012, the same day the CW and an undercover agent conducted illegal SNAP transactions and ALEXANDER VARGAS was observed inside Eddies Grocery.
21. On or about December 7, 2012, Eddies Grocery stopped redeeming SNAP benefits. An application for a new store – Andres Grocery Store – to participate in the SNAP program at the same address as Eddies Grocery, 1548 Mount Ephraim Avenue, Camden, NJ, was received at the USDA FNS on or about January 29, 2013. On the USDA application, the owner of Andres Grocery Store is listed as L.R.M. L.R.M. is the mother of defendant ALEXANDER VARGAS' wife, I.V.
 22. Part of the application process to receive a license to redeem SNAP benefits at Andres Grocery Store required L.R.M. to show she was not associated with the previous owner. She submitted a death certificate for N.E. showing that he died in the Dominican Republic on November 26, 2012.
 23. According to immigration records, defendant ALEXANDER VARGAS is a native of the Dominican Republic. He has traveled to the Dominican Republic approximately 10 times in the past two years.
 24. On or about March 15, 2013, defendant ALEXANDER VARGAS and his son left the United States and flew to the Dominican Republic. During the timeframe that VARGAS and his son were in the Dominican Republic, law enforcement officers performed a query of the social networking website known as Facebook, and discovered a profile page belonging to defendant ALEXANDER VARGAS' son. On his Facebook page, VARGAS' son stated that

he was from Santiago, Dominican Republic and lived in Camden, New Jersey. On or about April 1, 2013, VARGAS' son posted multiple pictures of a large property located in Almina Valverde, Dominican Republic containing a large, single-family home and multiple assets, including but not limited to, expensive all-terrain vehicles and a black Toyota Land Cruiser Prado (for which the approximate 2013 manufacturer's suggested retail price is between \$55,990 to \$91,900).