
**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

| | | |
|--------------------------|---|----------------------------------|
| UNITED STATES OF AMERICA | : | Hon. James B. Clark, III |
| | : | |
| v. | : | Mag. No. 18- |
| | : | |
| JUAN PERDOMO, | : | <u>CRIMINAL COMPLAINT</u> |
| JOSE PERDOMO, and | : | |
| MARIA RODRIGUEZ | : | Filed Under Seal |

I, Mark Novatski, being duly sworn, state the following is true and correct to the best of my knowledge and belief:

SEE ATTACHMENT A

I further state that I am a Special Agent with the United States Department of Homeland Security – Homeland Security Investigations and that this complaint is based on the following facts:

SEE ATTACHMENT B

continued on the attached pages and made a part hereof.

Mark Novatski, Special Agent
Homeland Security Investigations
U.S. Department of Homeland Security

Sworn to before me and subscribed in my presence,

September 6, 2018
Date

Essex County, New Jersey
County and State

Honorable James B. Clark, III
United States Magistrate Judge
Name and Title of Judicial Officer

Signature of Judicial Officer

ATTACHMENT A

COUNT ONE
(SNAP Benefit Fraud)

From in or around October 2015 to the present, in Essex County, in the District of New Jersey and elsewhere, the defendant,

JUAN PERDOMO,

did knowingly and intentionally use, transfer, acquire and possess, and aided and abetted the use, transfer, acquisition and possession, of Supplemental Nutrition Assistance Program ("SNAP") benefits having a value greater than \$5,000 in a manner contrary to the provisions of Chapter 51, of Title 7, United States Code, Section 2024(b), that is, the defendant knowingly and unlawfully exchanged SNAP benefits for cash.

In violation of Title 7, United States Code, Section 2024(b) and Title 18, United States Code, Section 2.

COUNT TWO
(SNAP Benefit Fraud)

From in or around October 2015 to the present, in Essex County, in the District of New Jersey and elsewhere, the defendant,

JOSE PERDOMO,

did knowingly and intentionally use, transfer, acquire and possess, and aided and abetted the use, transfer, acquisition and possession, of Supplemental Nutrition Assistance Program (“SNAP”) benefits having a value greater than \$5,000 in a manner contrary to the provisions of Chapter 51, of Title 7, United States Code, Section 2024(b), that is, the defendant knowingly and unlawfully exchanged SNAP benefits for cash.

In violation of Title 7, United States Code, Section 2024(b) and Title 18, United States Code, Section 2.

COUNT THREE
(Conspiracy to Commit Wire Fraud)

From in or around October 2015 to the present, in Essex County, in the District of New Jersey and elsewhere, the defendants

JUAN PERDOMO and
JOSE PERDOMO,

did knowingly and intentionally conspire and agree with each other and others to devise a scheme and artifice to defraud and to obtain money from the United States by means of materially false and fraudulent pretenses, representations, and promises, and for the purpose of executing such a scheme and artifice to defraud, caused to be transmitted by means of wire communication in interstate commerce writings, signs, signals, pictures and sounds, contrary to Title 18, United States Code, Section 1343.

In violation of Title 18, United States Code, Section 1349.

COUNT FOUR
(Conspiracy to Launder Monetary Instruments)

From in or around October 2015 to the present, in Essex County, in the District of New Jersey and elsewhere, defendants

**JUAN PERDOMO,
MARIA RODRIGUEZ, and
JOSE PERDOMO**

did knowingly combine, conspire, and agree with each other to commit offenses against the United States in violation of Title 18, United States Code, Section 1957, to wit, to knowingly engage and attempt to engage in a monetary transaction through a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000, that is the withdrawal, transfer, and exchange of U.S. currency, such property having been derived from a specified unlawful activity, that is, a violation of Title 7, United States Code, Section 2024(b), contrary to Title 18, United States Code, Section 1957.

In violation of Title 18, United States Code, Section 1956(h).

COUNT FIVE
**(Engaging in a Monetary Transaction in
Property Derived from Specified Unlawful Activity)**

On or about September 12, 2017, in the District of New Jersey and elsewhere, the defendant,

JUAN PERDOMO,

did knowingly engage and attempt to engage in a monetary transaction through a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000, that is the withdrawal, transfer, and exchange of U.S. currency, such property having been derived from a specified unlawful activity, that is, a violation of Title 7, United States Code, Section 2024(b).

In violation of Title 18, United States Code, Sections 1957 and 2.

COUNT SIX
**(Engaging in a Monetary Transaction in
Property Derived from Specified Unlawful Activity)**

On or about April 7, 2017, in the District of New Jersey and elsewhere,
the defendant,

MARIA RODRIGUEZ,

did knowingly engage and attempt to engage in a monetary transaction through a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000, that is the withdrawal, transfer, and exchange of U.S. currency, such property having been derived from a specified unlawful activity, that is, a violation of Title 7, United States Code, Section 2024(b).

In violation of Title 18, United States Code, Sections 1957 and 2.

COUNT SEVEN
**(Engaging in a Monetary Transaction in
Property Derived from Specified Unlawful Activity)**

On or about April 4, 2017, in the District of New Jersey and elsewhere,
the defendant,

JOSE PERDOMO,

did knowingly engage and attempt to engage in a monetary transaction through a financial institution, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000, that is the withdrawal, transfer, and exchange of U.S. currency, such property having been derived from a specified unlawful activity, that is, a violation of Title 7, United States Code, Section 2024(b).

In violation of Title 18, United States Code, Sections 1957 and 2.

ATTACHMENT B

I, Mark Novatski, am a Special Agent with the U.S. Department of Homeland Security - Homeland Security Investigations ("HSI"). I have knowledge of the following facts based upon both my investigation and discussions with other law enforcement personnel and others. Because this affidavit is being submitted for the limited purpose of establishing probable cause to support the issuance of a complaint, I have not set forth each and every fact that I know concerning this investigation. Where statements of others are related herein, they are related in substance and part. Where I assert that an event took place on a particular date, I am asserting that it took place on or about the date alleged.

1. HSI, along with the U.S. Department of Agriculture – Office of the Inspector General ("USDA-OIG") and the Internal Revenue Service – Criminal Investigation ("IRS-CI"), has uncovered a long-running scheme to defraud the United States government by the operators of M&R SUPERMARKET, a small grocery store located in Newark, New Jersey. The investigation has revealed that JUAN PERDOMO and his son, JOSE PERDOMO (together, the "Redeemers"), have unlawfully redeemed SNAP benefits in exchange for cash.

The Supplemental Nutrition Assistance Program

2. The Supplemental Nutrition Assistance Program ("SNAP"), formerly the Food Stamp Program, is a program funded by the United States government and administered by the USDA Food and Nutrition Service ("FNS"), whereby low-income individuals who qualify receive benefits to purchase eligible food items (the "SNAP Recipients").¹ SNAP benefits are loaded onto Electronic Benefits Transfer ("EBT") cards. The EBT cards are automatically credited with the appropriate level of SNAP benefits for each SNAP recipient.

3. Food retailers apply to FNS for authorization to participate in SNAP. Once a retailer has been authorized to enroll in SNAP (and thus becomes an "Authorized Retailer"), the Authorized Retailer may redeem purchases of eligible food products by SNAP Recipients.

4. SNAP benefits are transferred directly via electronic transfer from the United States Treasury into a bank account designated by the Authorized Retailer. Authorized Retailers receive training material relating to the rules and regulations of SNAP prior to receiving authorization, and they are responsible

¹ SNAP benefits may only be used to purchase specific food items, and may not be used to purchase prepared foods, alcoholic beverages, pet food, or other non-food items. And, more fundamentally, SNAP benefits may not be exchanged for cash, a practice known as "trafficking."

for training employees on the proper acceptance and handling of SNAP benefits.

5. To complete a purchase, a SNAP Recipient swipes an EBT card through a point of sale terminal at the Authorized Retailer and enters a Personal Identification Number. If approved, the SNAP Recipient's account is then debited for the amount of the purchase, and the funds are credited to the Authorized Retailer's account.

The Scheme to Defraud

6. MARIA RODRIGUEZ is the owner of M&R SUPERMARKET. Her husband, JUAN PERDOMO, and their son, JOSE PERDOMO, have participated in numerous fraudulent SNAP-benefits-for-cash transactions.

7. On or about October 7, 2015, M&R SUPERMARKET submitted an electronic application seeking authorization to participate in SNAP as an Authorized Retailer. In that application, MARIA RODRIGUEZ listed herself as M&R SUPERMARKET's owner.²

8. By executing and submitting the application, MARIA RODRIGUEZ attested that she had read and understood the warnings and certification, which provided, among other things, that she would abide by the rules and regulations of the Food Stamp Program. She also certified that she would prevent all workers from violating Food Stamp Program rules and regulations.

9. The M&R SUPERMARKET SNAP application, which MARIA RODRIGUEZ signed, estimated the store's annual retail sales to be approximately \$340,000. As a result, FNS categorized M&R SUPERMARKET as a "Small Grocery."

10. On or about October 9, 2015, FNS authorized M&R SUPERMARKET to participate in SNAP. For small grocery stores like M&R SUPERMARKET, SNAP benefit purchases of eligible food items over \$50 are rare based on the stores' square footage, single register, lack of shopping carts or baskets, and the amount of inventory. A high number of SNAP EBT transactions over \$50 is, therefore, indicative of SNAP EBT trafficking.

² M&R's EBT bank account is held in the name of the grocery store that had previously occupied the same space ("Business-1"). Business-1's owner, Individual-1, had voluntarily withdrawn from SNAP in or around July 2015. Although Individual-1 should have returned Business-1's EBT terminal, he did not. When M&R SUPERMARKET opened in the same space and started participating in SNAP, M&R SUPERMARKET began using Business-1's old EBT terminal as well as Business-1's EBT bank account (the "Account").

11. Analysis of EBT transaction data revealed that approximately \$4,696,213.04 in purported EBT purchases of more than \$50 were made at M&R SUPERMARKET from in or around October 2015 through in or around July 2018.

12. Based on my training and experience, I believe that legitimate EBT purchases in excess of \$50 at M&R SUPERMARKET would be highly unusual due to the limited supply of eligible food items at the store, and more than \$4.6 million in such transactions in less than three years is likewise indicative of fraud.

13. From in or around June 2017 through in or around July 2018, a federal agent working in an undercover capacity (the "UCA") engaged in approximately 11 "purchases" at M&R SUPERMARKET. The following are a few examples of these purchases:

- a. During an undercover operation conducted on or about August 2, 2017, the UCA brought a can of beans, Spam, and a box of Goya spices, costing a total of approximately \$8.00, to the counter and asked for \$40. JOSE PERDOMO debited a total of \$67.99 from the UCA's undercover EBT card and handed \$40 in cash to the UCA, in violation of SNAP rules and regulations. The entire \$67.99 was deposited into M&R SUPERMARKET's bank account.
- b. During an undercover operation conducted on or about April 9, 2018, the UCA brought a bottle of water, a box of Goya spices, and a can of beans, costing a total of approximately \$5.00, to the counter and asked for \$100. JUAN PERDOMO debited a total of \$159.99 from the UCA's undercover EBT card and handed \$100 in cash to the UCA, in violation of SNAP rules and regulations. The entire \$159.99 was deposited into M&R SUPERMARKET's bank account.
- c. During an undercover operation conducted on or about July 2, 2018, the UCA took a soda, a box of Goya spices, an onion, and a pepper, costing approximately \$6.00, to the counter and asked for \$100 in cash along with a pack of Newport cigarettes, which cost a total of approximately \$8.00 and cannot be purchased with SNAP benefits. JOSE PERDOMO debited a total of \$174.99 from the UCA's undercover EBT card, placed the food items and cigarettes in a bag, and handed the UCA \$100 in cash to the UCA, in violation of SNAP rules and regulations. The entire \$174.99 was deposited into M&R SUPERMARKET's bank account.

14. During the approximately 11 undercover operations in which SNAP benefits were redeemed for cash at M&R SUPERMARKET, approximately 57% of the inflated transaction amount was paid to the UCA in cash, and the Redeemers retained the balance of the inflated amount reported.

15. A review of FNS daily redemption summaries revealed patterns indicative of SNAP EBT trafficking by way of back-to-back high dollar transactions. For example, during the morning hours of July 1, 2018, there were multiple high dollar transactions made by EBT recipients in a short amount of time as follows:

| <u>Transaction Date & Time</u> | <u>Transaction Amount</u> |
|------------------------------------|---------------------------|
| 07/01/2018 08:11:24 AM | \$104.99 |
| 07/01/2018 08:12:20 AM | \$164.99 |
| 07/01/2018 08:16:33 AM | \$190.49 |
| 07/01/2018 08:18:36 AM | \$51.98 |
| 07/01/2018 08:20:20 AM | \$134.99 |
| 07/01/2018 08:22:24 AM | \$100.49 |
| 07/01/2018 08:24:43 AM | \$105.24 |
| 07/01/2018 08:28:21 AM | \$333.01 |
| 07/01/2018 08:29:42 AM | \$76.95 |
| 07/01/2018 08:31:52 AM | \$186.88 |
| 07/01/2018 08:34:41 AM | \$66.25 |
| 07/01/2018 08:49:02 AM | \$295.40 |
| 07/01/2018 08:52:55 AM | \$98.19 |
| 07/01/2018 08:55:34 AM | \$249.29 |
| 07/01/2018 08:58:37 AM | \$70.99 |
| 07/01/2018 09:03:34 AM | \$54.99 |
| 07/01/2018 09:05:00 AM | \$57.89 |
| 07/01/2018 09:09:02 AM | \$164.99 |
| 07/01/2018 09:09:31 AM | \$103.49 |
| 07/01/2018 09:10:08 AM | \$53.99 |
| 07/01/2018 09:10:54 AM | \$166.99 |
| 07/01/2018 09:16:07 AM | \$170.99 |
| 07/01/2018 09:17:38 AM | \$111.39 |

16. On or about May 1, 2018, federal law enforcement officers entered M&R SUPERMARKET, identified themselves as USDA employees, and spoke with JUAN PERDOMO about M&R SUPERMARKET's EBT program. JUAN PERDOMO stated that his wife, MARIA RODRIGUEZ, is the owner of M&R

SUPERMARKET. JUAN PERDOMO also stated that he had trained all of the M&R SUPERMARKET employees about the EBT program, including his son JOSE PERDOMO. JUAN PERDOMO informed law enforcement that he supervises all M&R SUPERMARKET employees to ensure that they are not breaking the rules surrounding SNAP and stated that he understood that it is illegal to sell ineligible items, such as tobacco, alcohol, and paper products. JUAN PERDOMO also stated that he understands that it is illegal to exchange EBT for cash and stated that he tells his customers the same.

17. Also on or about May 1, 2018, law enforcement officers spoke with JOSE PERDOMO. JOSE PERDOMO stated that his father, JUAN PERDOMO, told him that he could not exchange EBT for cash.

18. Despite its relatively small size, M&R SUPERMARKET has redeemed a disproportionately high number of SNAP benefits compared to other similarly sized stores in its vicinity. For example, for the twelve month time period dating from May 2017 to April 2018, M&R SUPERMARKET redeemed \$2,929,821.22 in SNAP EBT benefits, a monthly average of \$244,151.77. For that same time period, two other small grocery retailers in Newark, which have one register, are open year-round, seven days per week, and have no shopping carts or baskets like M&R SUPERMARKET, redeemed far less, as illustrated by the comparison chart below:

| <u>Store Name & Address</u> | <u>Monthly Redemptions (Total)</u> | <u>Monthly Redemptions (Average)</u> |
|---------------------------------|--|--|
| Small Grocery Store 1 | \$21,575.69 | \$1,797.97 |
| Small Grocery Store 2 | \$60,667.20 | \$5,055.60 |
| M&R SUPERMARKET | \$2,929,821.22 | \$244,151.77 |

19. Many of the SNAP transactions charged at M&R SUPERMARKET are for purchases in excess of \$50; a large number of these transactions exceed \$100. The frequency of these large transactions is inconsistent with M&R SUPERMARKET's limited stock, small counter space, and lack of shopping baskets. For the time period from in or about October 2015 through on or about July 5, 2018, the total dollar amount of EBT benefits M&R SUPERMARKET redeemed was \$5,605,341.34, and the total amount of EBT transactions of \$50 and over was \$4,696,213.04. The average SNAP transaction at a Small Grocery in Essex County, New Jersey is approximately \$11.40.

Use of Interstate Wire in the Scheme

20. As noted above, a SNAP Recipient receives an EBT card, similar to a debit card, with which to make purchases. Every Authorized Retailer has an

EBT terminal. Affiliated Consumer Services (“ACS”), a division of Xerox, processes SNAP payments for the State of New Jersey. ACS’s corporate office is located in Norwalk, Connecticut. The processing includes the electronic debiting of a SNAP Recipient’s account and the crediting of the SNAP merchant’s bank account. A transfer of funds from the SNAP Recipient’s SNAP account to the Authorized Retailer’s bank account is by electronic transmission performed by ACS.

21. When purchasing food, the SNAP Recipient provides the card to the Authorized Retailer, who then swipes the EBT card through the EBT terminal. After the SNAP Recipient enters a secret Personal Identification Number (“PIN”), the EBT terminal verifies the PIN, determines whether the SNAP Recipient’s account balance is sufficient to cover the proposed transaction and informs the Authorized 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 SNAP benefits reserved for the SNAP Recipient, and the amount is credited to the Authorized Retailer’s designated bank account.

22. USDA-FNS records indicate that M&R SUPERMARKET uses a bank account at Wells Fargo to receive and disburse SNAP funds. As described above, ACS/Xerox processes SNAP payments for the State of New Jersey, including all payments made to M&R SUPERMARKET. These funds are transmitted via wire transfer from ACS/Xerox in Austin, Texas, through the Federal Reserve Bank of Richmond in Richmond, Virginia, to M&R SUPERMARKET’s Wells Fargo account. Wells Fargo receives these funds through processing centers located outside of the State of New Jersey.

Monetary Transactions in Property Derived from the SNAP Benefit Fraud

23. Between October 2015 and June 2018, JUAN PERDOMO and JOSE PERDOMO have caused the USDA to transfer at least \$5,460,000 to M&R SUPERMARKET’s Account.

24. JUAN PERDOMO and MARIA RODRIGUEZ are the signatories on the Account. Law enforcement has undertaken a review of the checks written from the Account. They each bear either JUAN PERDOMO’s or MARIA RODRIGUEZ’s signature.

25. JUAN PERDOMO made several substantial cash withdrawals from the Account. For example, on or about September 12, 2017, JUAN PERDOMO made a withdrawal of \$110,000 from the Account.

26. MARIA RODRIGUEZ also made several substantial cash withdrawals from the Account. For example, with respect to just one of those

withdrawals, on or about April 7, 2017, MARIA RODRIGUEZ made a withdrawal of \$25,000 in cash from the Account.

27. In order for the SNAP fraud scheme to continue, the conspirators needed to ensure that there was cash on hand at M&R SUPERMARKET. During the course of the conspiracy, MARIA RODRIGUEZ engaged in approximately ten withdrawals that were \$10,000 or more. Based on my training and experience, due to the size and frequency of the cash withdrawals from the Account as well as the fact that MARIA RODRIGUEZ estimated the store's annual retail sales to be approximately \$340,000 on M&R SUPERMARKET's SNAP application, there is probable cause that MARIA RODRIGUEZ knew that the Account contained criminally derived proceeds.

28. JOSE PERDOMO also received checks from the Account that were signed by either JUAN PERDOMO or MARIA RODRIGUEZ, before he endorsed those checks and either deposited them and cashed them. For example, on or about April 4, 2017, JOSE PERDOMO cashed a check made out to him in the amount of \$18,000 from the Account that was signed by JUAN PERDOMO.