



## FOREWORD

*It is my pleasure to submit the semiannual report on the activities of the Office of Inspector General (OIG) for the period ended March 31, 1997. This semiannual report is being issued in accordance with the provisions of the Inspector General Act of 1978, as amended.*

*OIG audits, investigations, inspections and reviews, identified \$98.9 million of actual and potential monetary benefits and resulted in 74 convictions and 108 administrative actions during the semiannual reporting period. Our reviews of major VA programs, such as the Compensation and Pension program, disclosed overpayments totaling over \$30 million. In the medical care program area, we reported that better utilization of lithotripters and improved controls over Intergovernmental Personnel Act assignment of medical school employees could result in potential better use of funds totaling about \$4 million.*

*In the investigative area, our Specialized Investigations Regional Task Force continues to disclose significant cases of drug diversion, sales of controlled substances, workers' compensation fraud, and other criminal violations. Also, VA procurement programs remain vulnerable to contractor overcharges and fraud. During this period, our reviews of contractor overcharges led to the recovery of over \$4 million. Investigations of procurement programs disclosed instances of third party fraud which resulted in criminal convictions and debarment of firms participating in the fraud.*

*Our reviews also reported positive results in several areas, including the home improvement, geriatric, and living will programs, and medication management for the elderly. These programs were accomplishing their intended purposes and meeting the needs of participating veterans. Significant progress had also been made to address problems we had previously identified on medical school affiliation issues.*

*During the next semiannual period, we will continue to focus on major issues in medical care, benefits, financial, and procurement programs to help assure that benefits and services are delivered to our Nation's veterans in a high quality, cost effective, and timely manner.*

**WILLIAM T. MERRIMAN**  
*Deputy Inspector General*

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## EXECUTIVE OVERVIEW

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This semiannual report highlights the activities and accomplishments of the Department of Veterans Affairs (VA) Office of Inspector General (OIG) for the 6-month period ended March 31, 1997. During this reporting period, 100 audit, review, and inspection reports were issued; 2 settlement agreements were completed; and 130 investigations were closed. These initiatives identified actual and potential recoveries of \$14.6 million and made operational recommendations which could result in better use of an estimated \$84.3 million. In addition, as a deterrent to fraud, waste, and mismanagement, our investigations and other reviews resulted in 45 indictments, 74 convictions, and 108 administrative actions against third parties, VA employees, and benefit recipients.

Our audits, reviews, inspections, and investigations this period focused on VA's major program areas, as summarized in the following paragraphs.

### MEDICAL CARE PROGRAMS

#### Resource Utilization

We audited VA's use of lithotripters and found excess capacity and operating costs that could be reduced, with management's actions to sell excess capacity and increase use of contracts for community services expected to result in a savings of over \$2.7 million. Our review of use of Intergovernmental Personnel Act (IPA) assignments at one VAMC found IPA overpayments of over \$1 million annually due to inadequate controls.

#### Programs for Elderly Veteran Patients

We conducted two reviews of programs for elderly veterans. Our review of prescribing practices for elderly outpatients focused on four drugs considered unsuitable for individuals aged 65 or older. We found that VA providers prescribed these drugs substantially less frequently than non-VA providers and that this information should be furnished to other VAMCs. Our evaluation of VA's Geriatric Research, Education, and Clinical Centers (GRECC) program concluded the program is meeting the needs of elderly veteran patients and the program should be expanded to more VA facilities.

#### VHA's Home Improvement Program

This requested audit concluded that VHA's Home Improvement and Structural Alterations (HISA) program is accomplishing its intended purpose of providing veterans better access to their homes, with recommendations made to better define eligibility provisions and improve financial management of the program.

#### Control of Drugs

Investigations disclosed theft of drugs by pharmacy technicians at two VAMCs. In one case, a technician had stolen large quantities of high value drugs over several years, sold them to a large retail pharmacy operations, and was paid between \$75,000 - \$100,000. The other technician stole large quantities of non-controlled drugs. Neither individual now works for VA, with sentencing pending in both cases.

### Patient Care Program Review

Our review of VHA's Living Will/Advance Directive program for patients' end-of-life decisions found that VHA clinical employees closely adhere to patients' desires regarding prolonging their lives in the final stages of illness. We recommended simplifying the paperwork involved and providing earlier counseling to make the process less intimidating to patients.

### Medical School Affiliations

Our summary report of OIG work conducted on affiliation - related activities concluded that VHA management has made significant progress in addressing the issues we reviewed, including physician resource management, contractual relationships, and management information systems. We recommended continuing this momentum by pursuing renegotiation of affiliation agreements.

## BENEFIT PROGRAMS

### Delivery of Benefits and Services

We reviewed four VBA areas: (1) compensation and pension (C&P) overpayments, (2) administration of invested funds for the Servicemen Group Life Insurance (SGLI) and Veterans Group Life Insurance (VGLI) programs, (3) quality of decisions to waive the collection of C&P debts, and (4) the reliability of data in VBA's claims processing workload reporting system.

We concluded that C&P overpayments totaling over \$30 million could be prevented by revising procedures to improve beneficiary reporting and increasing VA regional office (VARO) emphasis on overpayment prevention. We found that the insurance company used by VBA to administer the SGLI and VGLI programs had deducted investment expenses from investment earnings without reporting it to VA, with the company subsequently agreeing to restore \$3.8 million to invested assets and a \$3.2 million reimbursement of lost income to the programs' reserves. Our review of waiver decisions found a wide variance in decision results among VARO's and we questioned waivers that had been granted valued at \$2.9 million. We found that additional actions are needed to improve the accuracy and reliability of VBA's workload reporting and performance measurement for claims processing.

### Beneficiary Fraud

Investigations disclosed cases of pension, compensation, and fiduciary fraud. An individual was sentenced to 9 months' imprisonment for forging the signature of his deceased mother on U. S. Treasury checks in order to receive pension benefits. Another individual received a 12-month prison sentence for receipt of compensation benefits to which she was not entitled, and another individual will waive future VA compensation benefits until the \$144,000 he received for 100% unemployability, while working full time, is paid back. A former nursing home administrator was sentenced to over 2 years' imprisonment for embezzling money, including a \$123,000 retroactive VA compensation check issued to a resident veteran.

## **PROCUREMENT PROGRAMS**

### **Procurement Recoveries**

VA will recover over \$4 million due to our identification of overcharges by nine Federal Supply Schedule (FSS) companies. A medical school paid over \$1 million to settle a case in which a VAMC had not been reimbursed for services provided to the school.

### **Excess Equipment Program**

Our review of VA's disposal of excess and surplus personal property found VA could have retained approximately \$5 million from the sale of unneeded equipment; issuance of guidance and improved controls were recommended.

### **Procurement Fraud**

As a result of an investigation, a former university administrator was sentenced to over 2 years in prison and will pay \$300,000 for submitting fraudulent invoices for radiological services purportedly provided to veterans that were not provided. A corporate president will pay \$100,000 for fraudulently overbilling a VAMC for transcription services.

## **FINANCIAL MANAGEMENT**

### **Consolidated Financial Statements**

Our audit of VA's Consolidated Financial Statements for FY's 1996 and 1995 concluded there has been significant progress to improve financial management during the last year, resulting in an unqualified opinion on the reasonableness of the year end balances. Six reportable internal control weaknesses were identified relating to real property, net receivables, unliquidated obligations, life insurance programs, security controls, and housing program accounting.

## **INFORMATION RESOURCES MANAGEMENT**

### **PAY-VA**

We assessed VA's efforts to design, develop, and implement PAY-VA, VA's new payroll system, and concluded controls had been established to address the multi-faceted details involved, and user involvement was significant. Additional actions to assist in ongoing implementation efforts were recommended.

### **IFCAP**

An audit of VA's Integrated Funds Distribution, Control Point Activity, Accounting, and Procurement System (IFCAP) concluded that the system is performing as designed, with some exceptions, but that significant problems exist with security controls.

## **EMPLOYEE INTEGRITY**

### **Specialized Investigations**

Specialized Investigations Regional Task Force (SIRTF) investigations disclosed instances of drug diversion, sales of controlled substances, and workers compensation fraud. In several cases, individuals received prison sentences for the illegal sale of drugs or possession with the intent to distribute drugs, including two individuals that received sentences of 21 months' and 15 months' imprisonment. Several individuals were terminated from the Office of Workers Compensation (OWCP) program, with OWCP costs totaling over \$1.7 million that will not be paid as a result of SIRTF investigations. In all cases, the investigations disclosed that the individuals involved were working while receiving OWCP payments.

### **Sexual Harassment**

An OIG special inquiry concluded that a senior official sexually harassed one female employee and displayed abusive, threatening, and inappropriate behavior towards three employees. This report resulted in Congressional hearings in April 1997 and additional hearings are planned for May 1997.

## **FOLLOWUP ON OIG REPORTS**

### **Unresolved Reports**

As of March 31, 1997, the OIG did not have any significant audit reports unresolved for over 6 months.

# SUMMARY OF OIG OPERATIONS

**Current 6 Months**  
**10/1/96 - 3/31/97**  
**(Dollars in Millions)**

## OIG Reviews Completed and Resolution Action

Reports Issued.....	100
Settlement Agreements.....	2
Value of Reports/Agreements	
Questioned Costs.....	\$7.2
Unsupported Costs.....	4.3
Recommended Better Use of Funds .....	<u>77.0</u>
<b>Total</b> .....	<b>\$88.5</b>

Reports Resolved (issued this and prior periods) .....	45
Value of Resolved Reports/Agreements	
Disallowed Costs.....	\$10.1
Funds to Be Put to Better Use .....	<u>65.7</u>
<b>Total</b> .....	<b>\$75.8</b>

### Unresolved Reports

Over 6 Months as of 3/31/97:	
Internal Audit .....	0
External Contract.....	25
Less than 6 Months as of 3/31/97:	
Internal Audit .....	0
External Contract.....	21
<b>Total</b> .....	<b>46</b>

### Value of Unresolved Reports:

Questioned Costs.....	\$ 6.0
Unsupported Costs.....	3.9
Recommended Better Use of Funds .....	<u>49.0</u>
<b>Total</b> .....	<b>\$ 58.9</b>

## Investigation Activities

Investigative Cases	
Opened.....	141
Closed .....	130
Pending.....	360

### Impact of Investigations

Indictments.....	45
Convictions .....	74
Probation (in years) .....	186
Prison Sentences (in years).....	98
Fines, Penalties, Restitutions, and Civil Judgments .....	\$1.5
Investigative Recoveries and Savings .....	\$8.9
Administrative Sanctions .....	80

**Audit Activities**

Reports Issued	
Internal Audits .....	19
Other Reviews .....	<u>7</u>
<b>Total</b> .....	<b>26</b>
Audit Workload	
Carry-Over Projects Completed .....	16
Planned Projects Initiated .....	13
New Projects Received .....	<u>5</u>
<b>Total</b> .....	<b>34</b>

**Contract Review Activities**

Reports Issued/Settlement Agreements	
Contract Reviews by OIG Staff	
FSS Contracts .....	9
PL 102-585 Reviews .....	3
Other .....	2
Contract Reviews by Other Agencies .....	<u>35</u>
<b>Total</b> .....	<b>49</b>

**Hotline and Special Inquiry Activities**

Hotline Cases	
Opened .....	357
Closed .....	311
Percent of Founded Allegations .....	22%
Impact of Hotline Activities	
Administrative Sanctions .....	28
Special Inquiries Completed	
Reports Issued .....	20
Administrative Closures .....	<u>13</u>
<b>Total</b> .....	<b>33</b>
Special Inquiries Workload	
Carry-Over Projects .....	16
New Projects Received .....	<u>20</u>
<b>Total</b> .....	<b>36</b>

**Healthcare Inspection Activities**

Projects Completed	
Inspection Reports Issued .....	7
QA/Patient Care Reviews .....	22
Clinical Consultations/Technical Support. ....	<u>61</u>
<b>Total</b> .....	<b>90</b>
Projects Pending	
QA/Patient Care Reviews .....	37
MI Case Evaluations .....	0
Clinical Consultations/Technical Support .....	<u>16</u>
<b>Total</b> .....	<b>53</b>