



DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL

JANUARY 2022 HIGHLIGHTS

Healthcare Investigations

Former Miami VA Medical Center Employee Charged in Connection with Bribery Scheme

A former Miami VA Medical Center employee was arrested in the Eastern District of Pennsylvania for her role in a bribery and kickback scheme involving multiple vendors and VA employees. The defendant was employed by VA as the assistant chief of logistics and was responsible for supervising the ordering of goods and services at the medical center. According to a VA OIG investigation, which was based on a hotline complaint, the defendant and other VA employees placed orders for supplies in exchange for cash bribes and kickbacks from corrupt vendors. The prices of supplies were often grossly inflated, and some orders were only partially filled or not fulfilled at all. After leaving VA, the defendant immediately began working for one of the vendors and allegedly paid kickbacks and bribes to VA employees at multiple VA medical centers in exchange for the placement of orders. The vendors charged in this case were responsible for over \$37.6 million in purchase card orders and contracts.

Former Community-Based Outpatient Clinic Nurse Practitioner Sentenced for Sodomy and Sexual Abuse

An investigation conducted by the VA OIG and VA Police Service revealed that a former VA nurse practitioner sexually assaulted two female veteran patients at the community-based outpatient clinic in Florissant, Missouri, in 2019. The former nurse practitioner was sentenced in the Circuit Court of St. Louis County, Missouri, to three years' incarceration and two years' probation after previously pleading guilty to felony sodomy and misdemeanor sexual abuse.

Two Individuals Sentenced for Bribery Scheme

A multiagency investigation resulted in charges alleging that a former VA contracting officer's representative at the Anchorage VA Medical Center gave preferential treatment to two service-disabled veteran-owned small businesses (SDVOSBs) in return for nearly \$30,000 in bribery payments. The SDVOSBs obtained more than \$5 million in set-aside snow removal and housekeeping contracts at the medical center. The companies' former bookkeeper was sentenced to 36 months' probation and restitution of more than \$52,000. The owner of one of the companies was sentenced to 12 months and one day imprisonment, three years' supervised release, and restitution of \$347,000. Both defendants were sentenced in the District of Alaska. The investigation was conducted by the VA OIG, Federal Bureau of Investigation (FBI), Small Business Administration (SBA) OIG, and General Services Administration (GSA) OIG.

Office Manager Sentenced for Role in Compounding Pharmacy Fraud Conspiracy

The office manager of a Louisiana-based pharmacy was sentenced to 36 months of probation after pleading guilty in federal court to her role in a multimillion-dollar healthcare fraud conspiracy.

According to a multiagency investigation, the owner of the pharmacy colluded with physicians to provide compounding medication to CHAMPVA and TRICARE beneficiaries, even though the medication was not medically necessary or no doctor-patient relationship existed. The company billed CHAMPVA for close to \$619,000 and TRICARE for approximately \$14 million. As the pharmacy's office manager, the defendant had knowledge of the fraud scheme and concealed it by knowingly submitting payment requests for the unnecessary compounded medications. She pleaded guilty to misprision (or knowing concealment). In addition to her probation sentence, she was ordered to pay \$180,000 in restitution. The investigation was conducted by the VA OIG, Defense Criminal Investigative Service (DCIS), US Postal Inspection Service (USPIS), and Homeland Security Investigations (HSI).

Three Defendants Pleaded Guilty for Roles in Another Compounding Pharmacy Scheme

A multiagency investigation resulted in charges alleging that three individuals submitted false claims for compounded prescriptions totaling close to \$111 million to TRICARE, CHAMPVA, and private insurance companies. The compounded prescriptions were fraudulently dispensed by doctors located in different states than the patients, and for whom no doctor-patient relationship existed. According to the investigation, the compounded prescriptions were fraudulently dispensed by unlicensed pharmacies; dispensed without a physician's authorization; dispensed to TRICARE, CHAMPVA, and privately insured recipients without approval; or were billed for but never provided. The three defendants pleaded guilty in the Southern District of Florida to conspiracy to commit wire fraud. The overall estimated loss to the government and private insurance is approximately \$29.3 million. Of this amount, the loss to VA is more than \$450,000. The investigation was conducted by the VA OIG, Army Criminal Investigation Command, Department of Labor (DOL) Employee Benefits Security Administration (EBSA), Food and Drug Administration Office of Criminal Investigations, and DCIS.

Former VA Employee Sentenced for Theft

From 2019 to 2020, the assistant chief of supply chain management for the Gulf Coast Veterans Healthcare System allegedly stole N95 masks, electronics, and medical devices from the Biloxi VA Medical Center in Mississippi, and then sold them at secondhand retailers. The defendant, who made more than \$73,000, sold the 3M N95 masks for an average of \$18.36 per mask (35 times their procured value of \$0.53 per mask). He was sentenced in the Southern District of Mississippi to 12 months' incarceration, 36 months' probation, restitution of more than \$23,000, and a fine of \$40,000. The VA OIG, USPIS, and FBI conducted the investigation.

New York Man Guilty of Kidnapping and Extortion

According to an investigation by the VA OIG and FBI, a man from Bronx, New York, kidnapped an elderly female with dementia from a parking lot at the West Los Angeles VA Medical Center and obtained more than \$17,000 from the victim's checking account without her consent. The defendant pleaded guilty in the Central District of California to kidnapping and extortion.

Former VA Medical Center Employee Pleaded Guilty to Threatening Former Coworkers

A VA OIG investigation revealed that a former employee of the Coatesville VA Medical Center in Pennsylvania sent sexually explicit, harassing, and threatening interstate communications and packages to former coworkers. The defendant also targeted the family members of his former coworkers with similarly vulgar communications. The defendant pleaded guilty in the Eastern District of Pennsylvania to threatening and cyberstalking his former coworkers.

Benefits Investigations

Two Defendants Sentenced for Identity Theft Scheme

A VA OIG, HSI, and USPIA investigation resulted in charges alleging that two individuals in Jamaica were redirecting the monthly benefit payments of veterans and Social Security recipients. The stolen funds were then loaded onto prepaid credit cards and mailed to coconspirators in Miami and Atlanta. The subjects also participated in telemarketing scams that targeted elderly US citizens. One defendant was sentenced in the Southern District of Florida to 78 months' incarceration, five years' supervised release, and restitution of over \$1.3 million. The other defendant was sentenced to six months' incarceration, five years' supervised release, and restitution of more than \$40,000. Both were sentenced in the Southern District of Florida. To date, 18 coconspirators have been indicted in connection with this scheme, 15 of whom have been arrested and convicted. Thirteen of the coconspirators have been sentenced to a combined 535 months' incarceration, 408 months' supervised release, 36 months' probation, and over \$3.8 million in restitution. The loss to VA is more than \$7 million.

Diving School Owner Sentenced for Education Benefits Fraud

In 2012, the owner of a private, for-profit commercial diving school allegedly engaged in a scheme to fraudulently obtain reaccreditation by submitting false and misleading information to the accrediting authority. The fraudulent reaccreditation enabled the school to maintain eligibility for federal education benefits from VA and the Department of Education. The owner was sentenced in the District of New Jersey to 27 months' imprisonment, three years' supervised release, restitution of \$1.1 million, and a fine of \$50,000 after previously pleading guilty to wire fraud. The investigation was conducted by the VA OIG, Department of Education OIG, and FBI.

Veteran Indicted for Theft of Government Funds

According to a multiagency investigation, a veteran allegedly purported to be blind in order to receive government disability benefits. Despite claiming to be blind, the defendant maintained a valid Nebraska driver's license, drove nearly daily, and obtained a Nebraska concealed carry weapons permit. The defendant was arrested after being indicted in the District of Nebraska for theft of government funds. The total loss to the government is approximately \$604,000. Of this amount, the loss to VA is approximately \$211,000. The VA OIG, Social Security Administration OIG, and Department of Health and Human Services OIG conducted the investigation.

Investigations Involving Other Matters

Nonveteran Construction Company Owner Sentenced for Service-Disabled Veteran-Owned Small Business Fraud Scheme

Between 2009 and 2018, a nonveteran owner of a construction company and his coconspirators allegedly controlled and operated an SDVOSB that was awarded approximately \$335 million in set-aside contracts, of which about \$118 million was awarded by VA. When the company grew too large to compete for small business contracts, the owner and his coconspirators used the minority status of another coconspirator to set up a second SDVOSB. The second business was awarded an additional \$11 million in set-aside contracts. The defendant was sentenced in the Western District of Missouri to 28 months' incarceration, three years' supervised release, and a personal money judgment of more than \$5 million after pleading guilty to defrauding the government. The investigation was conducted by the VA OIG, DCIS, GSA OIG, SBA OIG, US Army Criminal Investigation Division, Department of Agriculture OIG, IRS–Criminal Investigation, US Secret Service, Air Force Office of Special Investigations, Naval Criminal Investigative Service, Defense Contract Audit Agency – Operations Investigative Support, DOL OIG, and DOL EBSA.

Audits and Reviews

VA's Use of the Defense Logistics Agency's Electronic Catalog for Medical Items

In January 2018, VA began using the Defense Logistics Agency's Electronic Catalog (ECAT) to order medical supplies and equipment unavailable through existing contracts. The OIG conducted this review to determine whether ECAT procurements complied with regulations, policies, and the agreement's terms. The OIG found that the ECAT ordering guide does not require VA officials to consider Federal Supply Schedule (FSS) contracts before ordering through ECAT. The guide incorrectly describes how to apply the Rule of Two, which requires contracting officers to award contracts to veteran-owned small businesses if they reasonably expect that at least two such businesses will submit offers and that the awards can be made at fair and reasonable prices that offer the best value to the government. An incorrect application of the rule could potentially exclude veteran-owned businesses from contracting opportunities. Officials did not follow documentation requirements, and Veterans Health Administration's (VHA) Procurement and Logistics Office did not annually review the ECAT agreement, as required. The OIG recommended that VHA update the guide to clarify the Rule of Two and that staff must consider FSS contracts before ECAT, identify recurring acquisitions that might be cheaper using other contracts, require justifications for ECAT orders if available FSS contracts are not used, ensure compliance with requirements, and conduct and document annual reviews.

Audit of Community Care Consults during COVID-19

During COVID-19, VHA's Office of Community Care took steps to ensure veterans continued to have expanded access to health care in the community, as required by the VA MISSION Act of 2018. The OIG conducted this audit to determine whether VHA effectively managed community care consults (referrals) for routine appointments during the pandemic. The OIG found that routine community care consults were unscheduled for an average of 42 days, which does not meet VHA's timeliness goal of 30 days. Although staff faced scheduling challenges beyond their control, the OIG also found community care providers and staff did not consistently comply with requirements to manage routine consults. The OIG recommended developing guidelines to improve efforts to document contact with patients to schedule an appointment, monitoring whether clinicians are indicating and offering appropriate alternative forms of care, and reassessing the frequency of and approach to community care consults training.

Healthcare Inspections

Inspection of Sterile Processing Services at the Carl T. Hayden VA Medical Center in Phoenix, Arizona

The OIG conducted a healthcare inspection to assess allegations concerning Sterile Processing Services (SPS) at the Carl T. Hayden VA Medical Center in Phoenix, Arizona. The OIG found that SPS staff failed to don personal protective equipment (PPE) in SPS decontamination areas. The OIG observed SPS and other facility staff enter decontamination areas without required PPE. The OIG also found that, while some Resi-Test kits (residual protein detection kits used as cleaning indicators) had the same lot numbers, that was not an indication of falsified tests, and concluded that SPS staff completed Resi-Tests in accordance with policy. The OIG made one recommendation related to wearing PPE.

Comprehensive Healthcare Inspections

Comprehensive Healthcare Inspection Program (CHIP) reports are one element of the OIG's overall efforts to ensure that the nation's veterans receive high-quality and timely VA healthcare services. The inspections are performed approximately every three years for each facility. The OIG selects and evaluates specific areas of focus on a rotating basis. See the Purpose and Scope section of each report for the areas of focus at the time of each inspection.

Recently published CHIP reports include the following:

Charles George VA Medical Center in Asheville, North Carolina

Veterans Integrated Service Network 8: VA Sunshine Healthcare Network in St. Petersburg, Florida

Louis A. Johnson VA Medical Center in Clarksburg, West Virginia

While the OIG selects and assesses specific areas of focus on a rotating basis each fiscal year, it also reviews broader issue areas, such as VHA facilities' leadership performance. The results of these evaluations are published in CHIP summary reports. One CHIP summary report was released in January:

**Evaluation of Medication Management in Veterans Health Administration Facilities,
Fiscal Year 2020**

