



Department of Veterans Affairs

Office of Inspector General

November 2015 Highlights

CONGRESSIONAL TESTIMONY

Assistant Inspector General for Investigations' Testimony Explains How Fraud in Set-Aside Program Deprives Contracts from Legitimate Veteran-Owned Businesses

Quentin G. Aucoin, Assistant Inspector General for Investigation, testified at a joint hearing before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs and the Subcommittee on Contracting and Workforce, Committee on Small Business, United States House of Representatives titled, "An Examination of Continued Challenges in VA's Vets First Verification Process." Mr. Aucoin discussed the Office of Inspector General's (OIG) investigative caseload involving VA's Veteran-Owned and Service-Disabled Veteran-Owned Small Business programs, suspension and debarment actions that will prevent wrongdoers from receiving future contract awards, and significant prosecutions resulting from OIG investigations. He indicated that OIG will continue to devote significant resources to investigate individuals and companies that seek to defraud VA and deprive legitimate service-connected veterans from obtaining contracts earned through their honorable military service. Mr. Aucoin was accompanied by Mr. Gregory Gladhill, Audit Manager, Los Angeles Office of Audits and Evaluations. [\[Click here to access testimony.\]](#)

Deputy Inspector General Testifies at Second Hearing on Office of Inspector General Findings and Recommendations on Inappropriate Use of Position and Misuse of Relocation Program and Incentives at Veterans Benefits Administration

Linda A. Halliday, Deputy Inspector General, testified at a second hearing before the Committee on Veterans' Affairs, United States House of Representatives, on the results of OIG's report on the use of VA's relocation program and related incentives within the Veterans Benefits Administration (VBA). Ms. Halliday stated that the report concluded VBA misused the permanent change of station program for the benefit of its Senior Executive Service workforce, that VBA management processes need to be strengthened, and culpable individuals need to be held accountable in order to deter a recurrence of similar events. She also indicated that the OIG made criminal referrals to the U.S. Attorney's Office, District of Columbia, regarding official actions orchestrated by two VBA officials, but formal decisions regarding prosecutorial merit were declined in December. Ms. Halliday was accompanied by Mr. Nicholas Dahl, Director, Bedford Office of Audits and Evaluations.

OIG REPORTS

Audit Finds VA Not Effective in Identifying 15 of 97 Critical Buildings Located in High Seismic Zones

OIG conducted an audit to assess VA's earthquake preparedness based on a request received from Senator Dianne Feinstein. OIG found VA did not effectively identify seismic risks for 15 of 97 critical and essential buildings located in high and very high seismic zones. This occurred because Facility Condition Assessments (FCAs) did not

identify structural deficiencies that would be uncovered by more in-depth seismic studies and VA guidance did not require FCA contractors to review design documents resulting in sometimes reporting building conditions improperly. VA has also not mitigated 28 structural and 65 nonstructural seismic deficiencies discovered in these 97 buildings. This occurred because limited funding has slowed progress and medical facilities did not always submit construction project applications to correct the nonstructural deficiencies. In addition, contracting officers did not confirm the seismic safety of 23 of 46 leased buildings by obtaining seismic certificates or plans to mitigate seismic risks. VA also did not have a process for ensuring two enhanced use lease buildings remain seismically safe over the terms of their leases. Lastly, VA has not adequately developed and tested Continuity of Operations Plans (COOPs) for the 18 health care systems and medical centers OIG evaluated. As a result, VA will be more susceptible to the risk of injury and loss of life to veterans and employees who might find themselves in seismically deficient buildings. OIG recommended the Principal Executive Director for the Office of Acquisition, Logistics, and Construction, the Under Secretary for Health, and the Acting Assistant Secretary for Management implement procedures to improve seismic risks in VA's buildings and the Under Secretary for Health establish procedures to improve COOP development and testing. [\[Click here to access report.\]](#)

OIG Recommends Veterans Health Administration Require Facilities To Develop Plans for Care Needs of Patients on Home Health Services Wait Lists

OIG conducted an inspection at the request of Senator Barbara Mikulski to assess the merit of allegations regarding access to purchased home and community based services (HCBS) at the Washington, DC, VA Medical Center (facility), Washington, DC. OIG substantiated that the facility had wait times exceeding a year for patients needing homemaker/home health aide services, a component of HCBS. However, the facility reduced the electronic wait list from 584 patients in December 2013 to zero patients in February 2015. OIG also substantiated that multiple Veterans Health Administration (VHA) facilities had patients waiting for HCBS. Incidental to our review, OIG found that local HCBS program managers did not comply with all elements of national and local policy regarding quality of care, patient communication, and electronic health record documentation. In addition, despite being required to use an electronic wait list for HCBS patients since 2006, the facility used a manual wait list until early 2014. OIG recommended that the Interim Under Secretary for Health require facilities to develop action plans to address the care needs of patients on HCBS electronic wait lists. OIG also recommended that the Facility Director ensure HCBS staff comply with all elements of national and local policies and that oversight and management of HCBS is adequate and in compliance with national policies. [\[Click here to access report.\]](#)

OIG Makes Three Recommendations To Improve VA's National Transplant Program

OIG assessed the merit of allegations regarding how liver transplantation referrals were processed by the Houston VA Transplant Center (VATC) and timeliness of care for patients referred for liver transplant evaluations at all VATCs. The allegations included policy concerns. In the absence of specific allegations of wrongdoing or patient harm,

OIG determined these concerns pertained to decisions that must be made by VHA in conjunction with congressional oversight bodies and were outside the scope of this review. OIG substantiated that three stable patients referred to the Houston VATC for liver transplant evaluations were referred more than once because information was missing or additional information was needed. Those patients represent about 2 percent of patients referred from January 1, 2013, through December 31, 2014. OIG did not find that the Houston VATC's requiring referring facilities to resubmit referrals for a small number of patients represented a noteworthy program inefficiency. OIG substantiated that some patients referred for liver transplant evaluations at all VATCs experienced delays. OIG estimated that 6.9 percent of emergency referrals were not responded to in VHA's electronic transplant referral system within 48 hours, as required. Among stable patient referrals, OIG estimated that 9.6 percent of referrals were not responded to in VHA's electronic transplant referral system within 5 business days, as required. About half of stable patients who were deemed eligible for further evaluation did not receive an initial patient evaluation within 30 days, as required. OIG made three recommendations. [[Click here to access report.](#)]

Combined Assessment Program Reviews

In November 2015, OIG published five Combined Assessment Program (CAP) reviews containing OIG findings for the facilities listed below. The purpose of the CAP reviews was to evaluate selected health care facility operations. Topics reviewed may vary due to differences in services provided at each facility, the need to follow up on previous CAP findings, or the rotation of CAP review topics over time. The reviews covered the following 12 activities:

- (1) Quality Management
- (2) Environment of Care
- (3) Medication Management
- (4) Coordination of Care
- (5) Computed Tomography Radiation Monitoring
- (6) Advanced Directives
- (7) Surgical Complexity
- (8) Emergency Airway Management
- (9) Mammography Services
- (10) Suicide Prevention Program
- (11) Long-Term Home Oxygen Therapy
- (12) Mental Health Residential Rehabilitation Treatment Program

[John J. Pershing VA Medical Center, Poplar Bluff, Missouri](#)

[VA Pacific Islands Health Care System, Honolulu, Hawaii](#)

[Charles George VA Medical Center, Asheville, North Carolina](#)

[Louis A. Johnson VA Medical Center, Clarksburg, West Virginia](#)

[VA Southern Nevada Healthcare System, North Las Vegas, Nevada](#)

CBOC Reviews

In November 2015, OIG published two Community-Based Outpatient Clinic (CBOC) reviews containing OIG's findings at select CBOCs and primary care clinics that fall under the oversight of the parent facilities listed below. The purpose of the CBOC reviews was to evaluate five operational activities:

- (1) Environment of Care
- (2) Alcohol Use Disorder Care
- (3) Human Immunodeficiency Virus Screening
- (4) Outpatient Documentation
- (5) Outpatient Lab Results Management

[John J. Pershing VA Medical Center, Poplar Bluff, Missouri](#)
[VA Southern Nevada Healthcare System, North Las Vegas, Nevada](#)

CRIMINAL INVESTIGATIONS**Pharmaceutical Manufacturer Agrees To Plead Guilty to Health Care Fraud and Pay \$125 Million**

The Department of Justice announced that Warner Chilcott U.S. Sales LLC, a subsidiary of pharmaceutical manufacturer Warner Chilcott PLC, has agreed to plead guilty to health care fraud. The plea agreement is part of a global settlement with the United States in which the company has agreed to pay \$125 million to resolve its criminal and civil liability arising from the company's illegal marketing of the drugs Actonel, Asacol, Atelvia, Doryx, Enablex, Estrace and Loestrin. VA purchased over \$40 million of these drugs. As a result of this joint VA OIG, Federal Bureau of Investigation (FBI), Health and Human Services OIG, Food and Drug Administration Office of Criminal Investigations, Defense Criminal Investigative Service, and Office of Personnel Management OIG investigation, the company has agreed to plead guilty to criminal charges that they committed a felony violation by paying kickbacks to physicians throughout the United States to induce them to prescribe its drugs, manipulated prior authorizations to induce insurance companies to pay for prescriptions of Atelvia that the insurers may not have otherwise paid for, and made unsubstantiated marketing claims for the drug Actonel. Under the terms of the agreement, the company will pay a criminal fine of \$22.94 million and has also entered into a civil settlement agreement under which it agreed to pay \$102.06 million to the Federal government and the states to resolve claims arising from its conduct, which allegedly caused false claims to be submitted to Government health care programs, including VA. As part of this civil settlement, VA damages are estimated to be approximately \$5 million. On the same day as the global settlement announcement, OIG and FBI agents arrested the former president of the company for conspiring to pay kickbacks to physicians. Four additional individuals were also charged as part of the health care fraud scheme. Two district managers pled guilty to conspiracy to commit health care fraud and Health Insurance Portability and Accountability Act (HIPAA) violations; one district manager pled guilty to wrongful disclosure of individually identifiable health information for commercial advantage (a HIPAA violation); and a private physician was charged with obstruction of

justice, accepting free meals and speaker fees from the company in return for prescribing its osteoporosis drugs, and HIPAA violations.

Veteran's Widow Convicted of Murder

A veteran's widow was convicted at trial of attempted first degree murder and conspiracy to commit first degree murder. The widow's current spouse previously pled guilty to conspiracy to commit first degree murder and testified against her at trial in exchange for a reduced sentence of 25 years' incarceration. A VA OIG, Social Security Administration (SSA) OIG, Tennessee Bureau of Investigation, and District Attorney's Office investigation revealed that the defendant and her current spouse conspired to murder her previous husband, a combat veteran and VA beneficiary, by forcing him to overdose on prescription drugs and then staging a crime scene to make it appear that he committed suicide. The widow later applied for Dependency and Indemnity Compensation benefits and falsely claimed that her husband's drug overdose was related to his service-connected post-traumatic stress disorder (PTSD). The homicide investigation was initiated pursuant to information that was developed during the compensation benefits fraud investigation. The widow and her current spouse were subsequently convicted of defrauding VA and SSA of over \$457,000 in disability compensation. The widow was sentenced to 20 months' incarceration and her current spouse to 30 months' incarceration for the compensation fraud. The loss to VA is approximately \$105,000.

Government Contractor Sentenced for Conspiracy To Commit Major Program Fraud and Wire Fraud

A Government contractor was sentenced to 51 months' incarceration and ordered to pay a criminal forfeiture of \$30,000 after pleading guilty to conspiracy to commit major program fraud and wire fraud. During an OIG investigation, the defendant admitted that he assisted his father and mother in making false claims to VA in order to help their company obtain more than \$6.7 million in VA contracts.

Former San Francisco, California, VA Medical Center Engineer Pleads Guilty to Receiving Gratuity

A former San Francisco, CA, VA Medical Center (VAMC) engineer pled guilty to receiving a gratuity from a VA contractor. An OIG and FBI investigation revealed that the defendant received \$7,000 from a VA sub-contractor and \$9,230 worth of roofing work on his residence that was paid for by a VA general contractor. During the time that the gratuities were provided, the general contractor received a magnetic resonance imaging (MRI) machine installation contract worth \$1,488,802. The sub-contractor worked on this contract as well.

Non-Veteran Sentenced for Identity Theft

A non-veteran was sentenced to 70 months' incarceration and 3 years' supervised release after pleading guilty to conspiracy to commit theft of Government funds, wire fraud, aggravated identity theft, false claims, and theft of Government funds. An OIG and Internal Revenue Service Criminal Investigation Division (IRS CID) investigation revealed that the defendant, using stolen VA medical information, conspired to use the

personally identifiable information (PII) of veterans to file \$165,317 in fraudulent tax returns.

Twenty-Eight Defendants Charged for Their Roles in Health Care Fraud Scheme

A total of 28 defendants, comprised of Office of Workers' Compensation Programs (OWCP) claimants (former Postal Service and VA employees), doctors and medical provider employees, a Department of Labor (DOL) Claims Examiner, and a claims representative were charged with various crimes related to their roles in a health care fraud scheme. A VA OIG, United States Postal Service OIG, DOL OIG, IRS CID, Treasury Inspector General for Tax Administration (TIGTA), and SSA OIG investigation revealed that the defendants' actions caused more than \$9.5 million to be fraudulently billed to the DOL OWCP.

Pittsburgh, Pennsylvania, VAMC Contract Specialist Sentenced for Theft of Government Property

A Pittsburgh, PA, VAMC contract specialist, currently suspended from duty without pay, was sentenced to 3 years' probation and ordered to pay VA restitution of \$28,361 after pleading guilty to theft of Government property. An OIG and VA Police Service investigation revealed that from September to November 2012 the defendant made 29 unauthorized transactions using a VA-issued Government Purchase Card. The defendant purchased merchandise and gift cards for personal use.

Kerrville, Texas, VAMC Employee Sentenced for Possession of Child Pornography

A Kerrville, TX, VAMC employee was sentenced to 46 months' incarceration and 30 years' supervised release after pleading guilty to Possession of Child Pornography. An OIG investigation revealed that while the defendant was working a midnight shift, he regularly searched for and downloaded child pornography using the VA computer in his work area. The defendant admitted to routinely engaging in similar conduct while at home.

Veteran Sentenced for Bank Fraud and Fraudulently Altering a Military Discharge Certificate

A veteran was sentenced to 12 months' incarceration after pleading guilty to bank fraud and fraudulently altering a military discharge certificate (DD-214). An OIG investigation revealed that the defendant altered his DD-214 to appear that he had received a Purple Heart and an honorable discharge in order to receive VA disability benefits for PTSD. Additionally, the defendant provided VA's Loan Guaranty with manufactured tax records and fraudulent employment and income information in order to secure a \$246,171 VA home loan. In actuality, the defendant was serving a Federal prison sentence stemming from a previous bank fraud conviction during the same period he claimed to be receiving income in order to secure the VA loan.

Daughter of Deceased Beneficiary Indicted for Theft of Government Funds

The daughter of a deceased beneficiary was indicted for theft of Government funds. An OIG and SSA investigation revealed that the defendant stole VA and SSA benefits that

were direct deposited after her father's death in February 2009. The loss to VA is \$99,349 and the loss to SSA is \$19,435.

Daughter of Deceased VA Beneficiary Pleads Guilty to Theft of Government Funds

A former Columbus, OH, police officer, who resigned during the course of the investigation, pled guilty to theft of Government funds. An OIG investigation revealed that the defendant stole VA Dependency and Indemnity Compensation benefits that were direct deposited after her mother's death in December 2009. The defendant admitted to using the funds and also to failing to report the stolen VA funds as income on a Free Application for Federal Student Aid (FAFSA) form. The loss to VA is \$89,646.

Veteran Indicted for Theft of Government Funds and False Statements

A veteran, who was receiving VA individual unemployability benefits beginning in 2011, was indicted for theft of Government funds and false statements. An OIG investigation revealed that the veteran was employed by a local district attorney's office and the Oregon Department of Justice from June 2012 through May 2014. The loss to VA is \$51,000.

Subject Sentenced for Assault on Federal Officer

A subject was sentenced to 48 months' incarceration and 12 months' supervised release after being convicted at trial of assault on a Federal officer with a deadly or dangerous weapon and inflicting bodily injury. An OIG and VA Police Service investigation revealed that the defendant and her sister, both non-veterans, were soliciting at the Little Rock, AR, VAMC when they were approached by a VA police officer. The defendant ignored an order to stop and subsequently struck the police officer with her vehicle as she fled the medical center.

Veteran Sentenced for Telephonic Harassment

A veteran was sentenced to time served for telephonic harassment. An OIG, VA Police Service, and local police investigation revealed that the defendant had threatened to kill his wife, a Roseburg, OR, VAMC employee, through Facebook messages, telephone texts, and cellular telephone voicemails. The veteran made these threats while homeless in Las Vegas, NV, and was arrested when he arrived in Seattle, WA.

Former Perry Point, Maryland, VAMC Nurse's Assistant and Boyfriend Indicted for Theft

A former Perry Point, MD, VAMC certified nurse's assistant and her boyfriend were indicted for theft of Government property, altering of money orders, and aiding and abetting. An OIG and U.S. Postal Inspection Service investigation revealed that the former VA employee stole 26 U.S. Postal money orders that were intended to pay for veterans' Housing and Urban Development–Veterans Affairs Supportive Housing. The stolen money orders were then altered and negotiated by the former employee's boyfriend. The loss to VA is \$4,660.

Former Manchester, New Hampshire, VAMC Pharmacist Arrested for False Statements

A former Manchester, NH, VAMC pharmacist was arrested after being indicted for false statements. An OIG and VA Police Service investigation, initiated as a result of a possible drug diversion, revealed that the defendant failed to disclose on his employment application that he was terminated by two prior employers for gross misconduct related to suspected drug diversion and lack of clinical competence.

Mountain Home, Tennessee, VAMC Nurse Arrested for Theft of Controlled Substance

A Mountain Home, TN, VAMC nurse was indicted and arrested for theft of a controlled substance (hydromorphone). An OIG and VA Police Service investigation revealed that the defendant diverted hydromorphone from the medical center on numerous occasions. When confronted, the defendant had in her possession a stolen 4 milliliter hydromorphone syringe. The defendant subsequently confessed to stealing narcotics for several months and resigned from her position with VA.

U.S. Postal Service Employee Arrested for Theft of VA Drugs

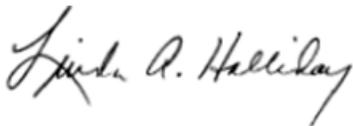
A U.S. Postal Service employee was arrested after being indicted for theft of mail and possession of a controlled substance by fraud. An OIG and U.S. Postal Inspection Service investigation revealed that for over 6 months the defendant opened VA medication packages, removed some of the medication before resealing, and then delivered the tampered packages to the intended veterans. The defendant confessed to stealing VA narcotics and was found to be in possession of stolen VA narcotics.

Veteran Arrested for Travel Benefit Fraud

The final defendant/co-conspirator, indicted in 2012 for conspiracy to defraud the U.S. Government and false claims, was arrested in Albuquerque, NM. The defendant participated in a scheme with two VA employees to submit inflated and fictitious travel benefit vouchers. The defendant fled the Seattle, WA, area following the issuance of an arrest warrant. Nine defendants were charged as a result of this investigation. The loss to VA is \$181,000.

Veteran Indicted for Travel Benefit Fraud

A veteran was indicted for theft of Government funds and wire fraud. An OIG investigation revealed that for over 4 years the defendant used a fictitious home address on 924 travel benefit claim forms, thus inappropriately increasing travel costs claimed for reimbursement of expenses. The loss to VA is \$43,588.



Linda A. Halliday
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