



Department of Veterans Affairs

Office of Inspector General

July 2016 Highlights

OFFICE OF INSPECTOR GENERAL REPORTS

Review of Alleged Improper Contract Awards in Office of Information and Technology's Service, Delivery, and Engineering Office

The Office of Inspector General (OIG) conducted a review based on an anonymous allegation to assess whether a senior level Service, Delivery, and Engineering (SDE) official from VA's Office of Information and Technology (OIT) coerced Technology Acquisition Center (TAC) contracting officers to violate Federal competition requirements when awarding contracts to perform a study of SDE operations. OIG did not substantiate the allegation that the contracting officers were coerced to violate the Federal competition requirements. Furthermore, OIG determined that the contracting officers complied with Federal competition requirements under the Federal Acquisition Regulation (FAR) when they awarded the contracts. In June 2014, a TAC contracting officer awarded a task order valued at approximately \$972,000 to a Federal Supply Schedule (FSS) contractor for a study of SDE operations. The contracting officer met the FAR competition requirements for orders above the simplified acquisition threshold of \$150,000. In January 2015, another TAC contracting officer awarded a task order valued at approximately \$4.5 million to the same contractor to complete the study. The initial task order was for a period of 3 months while the second task order was for a period of 13 months. The first task order only required 2 major deliverables while the follow-on task order required 11 major deliverables as a result of an expansion and implementation of the original effort. The FAR allows for limiting competition in the interest of economy and efficiency if the new work is a logical follow-on to an original FSS order. The contracting officer met the requirements under the FAR related to limiting competition for orders exceeding the simplified acquisition threshold.

[\[Click here to access report.\]](#)

CRIMINAL INVESTIGATIONS*

Millennium Laboratories Agrees to Pay \$256 Million

The Department of Justice (DOJ) announced that Millennium Laboratories, a global urinary drug testing lab, has agreed to pay the United States \$256 million to resolve allegations that Millennium filed false claims in violation of the Public Law 97-258, *False Claims Act*. The agreement was the result of a VA OIG, Federal Bureau of Investigation (FBI), Defense Criminal Investigative Service (DCIS), and Health and Human Services OIG investigation that alleged that Millennium submitted false claims to Federal healthcare programs for excessive urinary drug testing and pharmacogenetics testing, which were also deemed to be medically unnecessary. VA's portion of the total civil damages is \$723,880.

Medical Device Manufacturer Acclarent, Inc. Agrees to Pay \$18 Million

Medical device manufacturer Acclarent Inc., a subsidiary of Ethicon, a Johnson & Johnson company, has agreed to pay \$18 million to resolve allegations that it caused

health care providers to submit false claims to Federal health care programs, including VA, by marketing and distributing one of its products, the Relieva Stratus, for use as a drug delivery device without Federal Drug Administration (FDA) approval. This agreement was the result of an OIG, FBI, DCIS, and FDA Office of Criminal Investigations investigation that alleged despite Acclarent receiving FDA clearance to market the Stratus as a spacer to be used only with saline, Acclarent marketed the device to be used to deliver corticosteroids. VA's portion of the settlement will be determined at a later date. Also, the former Chief Executive Officer and Vice President of Sales of Acclarent, Inc. were found guilty at trial of introducing adulterated and misbranded medical devices into interstate commerce.

Veteran's Widow Sentenced for Murder

A veteran's widow was sentenced to 50 years' incarceration after being found guilty at trial of attempted first degree murder and conspiracy to commit first degree murder. This case was initiated pursuant to information that was developed during a previous VA compensation benefits fraud investigation. A VA OIG, Social Security Administration OIG, Tennessee Bureau of Investigation, and State District Attorney's Office investigation resulted in the defendant and her previous boyfriend/current spouse being charged with conspiracy to murder her previous husband, a combat veteran and VA beneficiary, by forcing him to overdose on his VA prescribed drugs and then staging a crime scene to make it appear that he had committed suicide. The defendant 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. The defendant'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. The loss to VA is approximately \$107,000.

Former Montrose, New York, VA Medical Center American Federation of Government Employees President Sentenced for Wire Fraud

A former Montrose, NY, VA Medical Center (VAMC) American Federation of Government Employees president was sentenced to 15 months' incarceration, 24 months' supervised release, and was ordered to pay \$150,000 in restitution after pleading guilty to wire fraud. An OIG and Department of Labor Office of Labor Management Standards investigation resulted in the defendant being charged with using a union debit card to withdraw cash and pay for personal expenses. Some of the expenses included Armani suits, \$30,000 in U.S. Postal money orders, and electronics.

VA-Appointed Fiduciary Indicted for Theft of Government Funds

A VA-appointed fiduciary was indicted for theft of Government funds. An OIG investigation resulted in the defendant being charged with misusing VA funds intended for her veteran brother. The defendant is alleged to have used her brother's money for church tithes, to pay her own mortgage, and for various other personal expenses. The veteran sustained a loss of \$55,621.

Non-Veteran Sentenced for Bank Fraud and Aggravated Identity Theft

A non-veteran was sentenced to 27 months' incarceration and 24 months' probation after being found guilty at trial of bank fraud and aggravated identity theft. An OIG investigation resulted in the defendant being charged with using the identity of his father, a decorated veteran, in an attempt to obtain a VA mortgage loan for a home valued at approximately \$490,000. The defendant fraudulently claimed that he served in the military for 30 years and was awarded a Purple Heart.

Daughter of Deceased VA Beneficiary Indicted for Theft of Government Funds

The daughter of a deceased VA beneficiary was indicted for theft of Government funds. An OIG investigation resulted in the defendant being charged with stealing VA benefits that were direct deposited after her mother's death in November 2003. VA was able to recover \$35,535 via reclamation. The loss to VA is \$166,289.

Daughter of Deceased VA Beneficiary Sentenced for Theft of VA Benefits

The daughter of a deceased VA beneficiary was sentenced to 8 months' home confinement, 5 years' probation, and was ordered to pay VA restitution of \$98,510. An OIG investigation resulted in the defendant being charged with stealing VA benefits that were direct deposited after her father's death in August 2012. The defendant admitted to using the stolen VA funds for personal use.

Former Daughter-in-Law of Deceased VA Beneficiary Indicted for Theft of Government Funds

The former daughter-in-law of a deceased VA beneficiary was indicted for theft of Government funds. An OIG investigation resulted in the defendant being charged with using her Power of Attorney to steal VA benefit checks and direct deposits that were issued after the beneficiary's death in November 2005. The defendant allegedly used the stolen funds for personal expenses. The loss to VA is \$89,868.

Neighbor of Deceased VA Beneficiary Charged With Theft of Government Funds

The neighbor of a deceased VA beneficiary was charged with theft of Government funds. The defendant allegedly used the deceased beneficiary's bank checks to steal VA benefits that were direct deposited after the beneficiary's death in December 2009. The defendant then allegedly used the stolen funds for personal expenses. The loss to VA is \$79,958.

Veteran Pleads Guilty to Theft of Government Funds

A veteran receiving VA compensation benefits pled guilty to theft of Government funds. An OIG investigation resulted in the defendant, who was employed from 2011 to 2014 at the local district attorney's office and the Oregon DOJ, being charged with fraudulently collecting individual unemployability benefits. The loss to VA is \$51,698.

Veteran Sentenced for Felony Menacing With a Weapon

A veteran was sentenced to time served (6 months) and 2 years' probation after pleading guilty to felony menacing with a weapon. An OIG and VA Police Service

investigation resulted in the weapons charge after the defendant brought a handgun into the Denver, CO, VAMC and held a nurse hostage.

Veteran Arrested for Assault of a Federal Officer, Mountain Home, Tennessee, VAMC

A veteran was arrested for assault of a Federal officer. The defendant, who was involuntarily committed for psychological treatment, was attempting to leave the Mountain Home, TN, VAMC. The defendant allegedly attacked a responding VA Police officer causing injuries that included broken bones. The defendant underwent a court-ordered psychological evaluation and has been determined competent to stand trial.

Veteran Arrested for Making Threats to the Albany, New York, VAMC

A veteran was arrested after allegedly making threats that he was on his way to the Albany, NY, VAMC and that he planned to “shoot and kill people.” In response to the threat, the medical center was placed on “lockdown,” and local law enforcement officers were called to the medical center to provide additional support. The defendant was previously charged and sentenced in 2015 for making similar threats to the Canandaigua, NY, VAMC.

Former Palo Alto, California, VAMC Employee Sentenced for Fraud

A former Palo Alto, CA, VAMC employee was sentenced to 8 months’ home detention, 3 years’ supervised release, and was ordered to pay restitution of \$3,019 after pleading guilty to conspiracy, access device fraud, fraud in connection with identification information, and aiding and abetting. An OIG and VA Police Service investigation resulted in the VA employee and three other defendants being charged with conspiracy to steal the personal identifying information of a VAMC employee and use the information to create unauthorized credit card accounts and counterfeit checks that were then used to make purchases at various retail stores. The purchased items were then either sold or traded for narcotics. Two of the other defendants were previously sentenced, and the fourth defendant was given a pretrial diversion.

Veteran Sentenced for Travel Benefit Fraud

A veteran was sentenced to 4 months’ incarceration, 3 years’ supervised release, and was ordered to pay VA restitution of \$43,588 after pleading guilty to theft of Government funds. An OIG investigation resulted in the defendant being charged with using a fictitious address on 924 beneficiary travel claims for approximately 4 years. The loss to VA is \$43,588.

ADMINISTRATIVE INVESTIGATION ADVISORIES

OIG independently reviews allegations and conducts administrative investigations generally concerning high-ranking senior officials and other high profile matters of interest to Congress and the Department. While these reviews and investigations may result in the issuance of a formal report, they can also lead to the issuance of an administrative advisory to VA senior leadership if, during the course of an investigation,

allegations are substantiated but no recommendations are made or are unsubstantiated.

OIG's intention is to maintain transparency with veterans, Congress, and the public by releasing information related to administrative investigative work completed by OIG. As other administrative investigation advisories are completed, they may be available on our website.

You may view and download these administrative investigation advisories by clicking on the link to our webpage at <http://www.va.gov/oig/publications/aia-summaries.asp>.

Administrative Investigation Advisories (July 2016)	
Advisory Number	Title
14-02190-293	Conflict of Interest and Violation of Ethics Pledge, Office of the Secretary, Washington, DC
15-00749-338	Alleged Prohibited Personnel Practices, Veterans Health Administration, William Jennings Bryan Dorn VA Medical Center, Columbia, SC
15-02226-327	Alleged Misuse of Travel Funds, Veterans Health Administration, VA National Center for Patient Safety, Ann Arbor, MI



MICHAEL J. MISSAL
Inspector General

* *The charges contained in any criminal complaint or indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.*