



Department of Veterans Affairs

Office of Inspector General

July 2017 Highlights

CRIMINAL INVESTIGATIONS

Veterans Health Administration Investigations

Veteran Pleads Guilty to Sexual Abuse of an Incapable Victim

An Office of Inspector General (OIG) investigation revealed that while the defendant and victim were both inpatients at the Lexington, KY, VA Medical Center (VAMC) the defendant sexually assaulted the female victim. The defendant admitted to waiting until the victim received “sleeping medications” and then went into her room and sexually assaulted her on several occasions. Deoxyribonucleic Acid (DNA) evidence collected during the investigation also confirmed that the defendant engaged in sexual acts with the victim.

Sunrise, Florida, VA Community Outpatient Clinic Nurse Arrested for Drug Diversion

A Sunrise, FL, VA community outpatient clinic nurse was indicted and arrested for obtaining possession of a controlled substance by misrepresentation, fraud, forgery, deception, or subterfuge. An OIG investigation resulted in charges after the defendant tested positive for drugs, recorded inaccurate patient vital signs, generated fictitious patients, and diverted Fentanyl during gastrointestinal procedures. The defendant admitted to the drug diversion.

Fresno, California, VAMC Nurse Arrested for Drug Diversion

An OIG investigation resulted in charges that allege that a VAMC nurse diverted Fentanyl from a veteran in hospice care.

Seattle, Washington, VAMC Employee Sentenced for Weapon Possession

A Seattle, WA, VAMC employee was sentenced to 42 months' incarceration after pleading guilty to weapon possession charges. An OIG, Bureau of Alcohol, Tobacco, Firearms and Explosives, and VA Police Service investigation revealed that the defendant, a previously convicted felon, threatened VA coworkers, possessed methamphetamine and a loaded firearm on VA premises, and possessed a sawed-off shotgun and controlled substances at his residence. Evidence in the case was developed during an undercover operation and from the execution of search warrants conducted of the defendant's vehicle and residence.

Veterans Benefits Administration Investigations

Two Co-Owners of Fiduciary Company Arrested on Multiple Charges

The two co-owners of a professional fiduciary company were arrested after being indicted for conspiracy, fraud, theft, and money laundering. An OIG, Federal Bureau of

Investigations (FBI), Internal Revenue Service, Social Security Administration (SSA) OIG, and U.S. Marshals Service (USMS) investigation resulted in charges that allege that the defendants embezzled more than \$4 million from their special needs clients to support lavish lifestyles for themselves and their families. The defendants allegedly submitted 34 fraudulent annual VA Fiduciary Statement of Accounts and also created and submitted approximately 700 fraudulent bank statements in support of the fraudulent annual statements. Agents enforced a Federal court order that authorized the USMS's Complex Assets Unit to assume control of the business operations. The court order appointed the USMS as the receiver and monitor of the business, to include all financial accounts. The order authorizes the USMS to operate the business to ensure that its assets are not improperly spent or removed and that the interests of VA and SSA beneficiaries are protected. The loss to VA is \$2.7 million.

Former VA Fiduciary and Spouse Sentenced for Exploitation of a Disabled Person and Fraud

A former VA fiduciary was sentenced to 83 years' incarceration to run concurrently for a maximum of 30 years' incarceration and was assessed a court cost and fine of \$1,432. The spouse of the former VA fiduciary was sentenced to 60 years' incarceration to run concurrently for a maximum of 20 years' incarceration and was assessed a court cost of \$432. The amount of penalties and restitution will be determined at a later date. The former VA fiduciary was previously convicted at trial, which resulted in the spouse pleading guilty to the same charges of financial exploitation of a disabled person, Medicaid fraud, and income tax fraud. An OIG, Missouri Attorney General's Medicaid Fraud Control Unit, Missouri Department of Health and Senior Services, and Missouri Department of Revenue investigation revealed that the defendants co-owned a residential care facility and were assigned as the fiduciary for a mentally disabled veteran. The veteran received a \$209,235 retroactive benefit check from VA, which the defendants were supposed to deposit into a resident trust account. Instead, the defendants deposited the check into their business account and utilized the funds for personal gain to include purchasing three vehicles for their family.

VA-Appointed Fiduciary Arrested for Wire Fraud and Misappropriation

A VA-appointed fiduciary was arrested after being indicted for wire fraud and misappropriation. An OIG and FBI investigation resulted in charges that the defendant allegedly misappropriated over \$100,000 of her brother's VA compensation benefits.

Veteran's Spouse Indicted for Theft of Government Funds and False Statements

The spouse of a disabled veteran, who was also the veteran's fiduciary, was indicted for theft of Government funds and false statements. The defendant left the veteran and moved in with another man in South Carolina after allegedly claiming to be living with and caring for her veteran husband in North Carolina. The defendant also used a fraudulent power of attorney to obtain a VA guaranteed loan in the veteran's name for a house in South Carolina. The power, water, and other utilities supporting the veteran's home in North Carolina were subsequently disconnected and the abandoned veteran, who had been terminally ill for some time, was found deceased in his North Carolina

home. After the veteran's death, the defendant allegedly claimed that she lived with the veteran continuously until his death and filed for and received Dependency and Indemnity Compensation benefits. The loss to VA is approximately \$40,000 and the misappropriated amount taken from the veteran prior to his death is approximately \$8,000. The investigation identified the VA loan fraud before VA suffered any loss.

Former VA Fiduciary Indicted for Misappropriation by a Fiduciary and Theft of Government Funds

An OIG investigation resulted in charges that allege a former VA fiduciary misappropriated \$39,060 in VA benefits that should have been used for the care of her cousin.

Former VA Fiduciary Pleads Guilty to Misappropriation by a Fiduciary

As part of a plea agreement, a former VA fiduciary also agreed to pay restitution. An OIG investigation revealed that from October 2014 to July 2015 the defendant misappropriated \$37,197 in VA benefits.

Veteran Indicted for VA Compensation Fraud

A veteran was indicted for theft of Government funds and false statements. An OIG investigation resulted in charges that allege that while in receipt of VA compensation benefits for blindness the defendant held a valid driver's license, drove regularly, volunteered and travelled to work on church construction sites overseas, and volunteered at local prisons. For over 16 years, the defendant had been informing VA physicians that he was blind. The loss to VA is \$538,480.

Veteran Arrested for VA Compensation Fraud

A veteran was indicted and arrested for false statements on a loan application, theft of Government funds, wire fraud, and engaging in monetary transactions in property derived from specified unlawful activity. The veteran's girlfriend was indicted and arrested for false statements on a loan application. An OIG and U.S. Secret Service investigation resulted in charges that allege that the defendants engaged in a scheme to defraud VA by having the veteran report to VA that he was unable to maintain substantially gainful employment as a result of his service-connected disabilities. The veteran subsequently received VA Individual Unemployability (IU) benefits from 2009 to 2017. The investigation further revealed that the veteran did maintain substantially gainful employment during most, if not all, of the time he was receiving IU benefits. The veteran's girlfriend admitted that she took steps to assist the veteran in concealing his employment from VA. It is also alleged that from approximately 2009 to 2015, while the veteran was a co-owner of a Virginia-based company, he stole over \$300,000 that should have been used to pay contractors and vendors who worked on a Dallas, TX, construction project. The loss to VA is approximately \$134,000.

Veteran Pleads Guilty to VA Pension Fraud

A veteran pled guilty to wire fraud. An OIG investigation revealed that the defendant was receiving a special VA pension since 2001 because of his claim that he was unable

to walk. The investigation further revealed that the defendant was able to walk and drive with no apparent difficulty. In order to continue the fraud, the defendant attended a VA medical examination in a wheelchair and stated that he hadn't walked or driven in over ten years. The loss to VA is in excess of \$370,000.

Son of Deceased VA Beneficiary Sentenced for Theft of Government Funds

The son of a deceased VA beneficiary was sentenced to 2 years' probation, 6 months' home confinement, and 30 hours' community service after pleading guilty to theft of Government funds. The defendant previously paid full restitution of \$188,406 to VA. An OIG investigation revealed that the defendant stole VA benefits that were direct deposited into his deceased mother's bank account after her death in June 2003.

Daughter of Deceased VA Beneficiary Sentenced for Theft of Government Funds

The daughter of a deceased VA beneficiary was sentenced to 15 months' incarceration and was ordered to pay VA \$99,006 in restitution after pleading guilty to 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 December 2009. The defendant submitted falsified documents and made phone calls to VA pretending to be her deceased mother in order to continue receiving VA benefit payments. The defendant also changed mailing addresses and bank accounts multiple times in order to avoid detection.

Son-in-Law of Deceased VA Beneficiary Charged With Theft of Government Funds

The son-in-law of a deceased VA beneficiary was charged with theft of Government funds. An OIG investigation resulted in the defendant being charged with receiving, forging, and negotiating approximately 67 VA benefit checks after his mother-in-law's death in January 2006. The loss to VA is \$91,500.

Wife of Deceased VA Beneficiary Sentenced for Theft of Government Funds

The wife of a deceased VA beneficiary was sentenced to 3 years' probation and was ordered to pay \$81,493 in restitution after pleading guilty to theft of Government funds. An OIG investigation revealed that the defendant stole VA pension benefits that were direct deposited into a joint account after her husband's death in April 2007. The defendant knew she was not entitled to the benefits and used the funds for personal expenses.

Other Investigations

Defendants Plead Guilty to Health Care Fraud

As part of a National Health Care Fraud Takedown, two defendants pled guilty to Federal health care fraud violations. As part of the plea agreement, one defendant agreed to pay restitution of at least \$34.2 million. A multi-agency investigation revealed that the defendants caused the mailing of compounded medications to unsuspecting patients throughout the United States. The defendants then caused the submission of

false billings to TRICARE, CHAMPVA, other Federal insurance programs, and private insurance companies in order to receive a reimbursement. The compounded medications were of questionable, if any, medical value and in most instances physicians who prescribed the compounded medication never met the patient. The defendants caused a loss to the U.S. Government of at least \$62.9 million, to include a loss to VA of \$208,274. The defendants were among hundreds of defendants charged nationwide in cases that allege false billings of approximately \$1.3 billion.

Company Owner Sentenced for Conspiracy to Commit Mail Fraud

The owner of three companies, who contracted with various Government agencies, was sentenced to 60 months' incarceration, 3 years' supervised release, and was ordered to pay restitution of \$1,176,168 after pleading guilty to conspiracy to commit mail fraud. A multi-agency investigation revealed that beginning as early as February 2010 the defendant received numerous contracts from the Government, to include a \$48,953 VA contract, through FedBid.com. The companies then arranged for victim-vendors to provide the goods to the Government. To induce the victim-vendors to provide the goods and extend credit to the companies, the defendant made fraudulent representations regarding his companies' creditworthiness and association with the Government. As part of the conspiracy, the defendant falsely promised to pay the victim-vendors for the goods and then subsequently failed to pay more than 40 victim-vendors over \$1 million for goods provided to various Government agencies.

Defendants Sentenced for Workers' Compensation Fraud

Two defendants were sentenced after being found guilty at trial of conspiracy, health care fraud, wire fraud, and money laundering relating to their ownership and operation of multiple workers' compensation clinics throughout the United States. The first defendant was sentenced to 25 years' incarceration, 3 years' probation, and was ordered to pay restitution of \$13,365,525. The second defendant was sentenced to 10 years' incarceration, 3 years' probation, and was ordered to pay restitution of \$14,537,548. A third defendant is still awaiting sentencing. A multi-agency investigation resulted in the defendants being charged with conspiring since January 2011 to unlawfully bill multiple Federal agencies for false and fraudulent claims and for services not rendered. The investigation also revealed that in July 2013, shortly after the execution of a Federal search warrant on the business, two of the defendants laundered \$700,000 in an attempt to conceal the money's location from law enforcement.

Health Care Company President and Company Sentenced for Defrauding VA

The former president of a health care company was sentenced to 2 years' probation and the company was sentenced to 5 years' probation, with both being responsible for paying VA restitution of over \$200,000 and a \$500,000 fine. The company was also required to create an ethics and compliance program. An OIG and Food and Drug Administration (FDA) investigation revealed that the defendants produced bariatric beds, a Class II medical device, at unregistered facilities for sale and lease to VA. As a result of receiving the defective and unusable bariatric beds, a new VA nursing facility was unable to open on time.

New England Compounding Center Owner Sentenced in Connection With 2012 Nationwide Fungal Meningitis Outbreak

The owner and head pharmacist of the New England Compounding Center (NECC) was sentenced to 9 years' incarceration, 3 years' probation, and was assessed a penalty of \$5,700. The amount of forfeiture and restitution will be determined at a later date. The defendant was previously convicted at trial of racketeering, racketeering conspiracy, mail fraud, and introduction of misbranded drugs into interstate commerce with the intent to defraud and mislead in connection with a 2012 nationwide fungal meningitis outbreak. An OIG, FDA Office of Criminal Investigations, FBI, Defense Criminal Investigative Service, and United States Postal Inspection Service (USPIS) investigation revealed that the defendant directed and authorized the shipping of contaminated methylprednisolone acetate to NECC customers nationwide. In addition, the defendant authorized the shipping of drugs before test results confirming their sterility were returned, never notified customers of nonsterile results, and shipped compounded drugs with expired ingredients. Furthermore, certain batches of drugs were manufactured, in part, by an unlicensed pharmacy technician at NECC. The defendant also repeatedly took steps to shield NECC's operations from regulatory oversight by the FDA by claiming to be a pharmacy dispensing drugs pursuant to valid, patient-specific prescriptions. The investigation further revealed that VA purchased approximately \$500,000 worth of various pharmaceutical products from NECC. The Government contended that all products compounded and sold to NECC customers, including VA, were made in an unsafe manner and under unsanitary conditions.

Former St. Louis, Missouri, VAMC Contractor Sentenced for Kickbacks

A former St. Louis, MO, VAMC contractor was sentenced to 36 months' probation and was ordered to pay VA restitution of \$180,000. An OIG and Federal Deposit Insurance Corporation OIG investigation revealed that from October 2012 to February 2014 the defendant, while an outside contractor, received purchase orders from the medical center for maintenance work totaling \$144,629. During this time, the defendant allegedly kicked back payments of approximately \$41,250 to a VA official. The defendant later became a VA employee and arranged for his unqualified stepson to receive purchase orders for maintenance work. From April 2014 to April 2015, the defendant's stepson received \$125,549 for maintenance work. During this time, the stepson allegedly kicked back payments of approximately \$39,000 to the same VA official and approximately \$20,800 to the defendant. This investigation is ongoing and there is an anticipated loss of \$451,853.

Trucking School Coordinator Pleads Guilty to Wire Fraud

The former student coordinator of a trucking school pled guilty to wire fraud for his part in enrolling at least 108 veterans who allegedly never attended or received training at the school. As part of the plea agreement, the defendant agreed to pay up to \$4.3 million in criminal restitution. A nationwide OIG, FBI, and Department of Justice OIG investigation resulted in charges that alleged between 2011 and 2015 the defendant, the school's president, the school's former vice president, and veterans conspired to defraud VA of over \$4.3 million. The involved veterans included

Federal and State correctional officers, Federal employees, and a local police officer. The school received inflated, unearned tuition and fees ranging from between \$5,000 and \$13,000 per course, while the veterans received basic housing allowance and a books and supplies stipend totaling over \$2,000 per month.

Former Kansas City, Missouri, Physician Sentenced for Health Care Fraud

A former Kansas City, MO, physician was sentenced to 15 months' incarceration, 3 years' probation, and was ordered to pay \$39,155 in restitution after pleading guilty to health care fraud. An OIG investigation revealed that the former physician, who lost his license due to his involvement in an earlier fraud scheme, was employed as a medical consultant at a Kansas City, MO, clinic that was subcontracted by a VA contractor to provide VA disability examinations for local veterans. The examinations were performed in violation of the prime contractor's contract with VA, which required that the examinations be conducted by a licensed and credentialed provider, who has a clear and unrestricted license, and who has not been excluded from participating in Federal health care programs. The investigation revealed that a total of 209 examinations were submitted for 53 veterans utilizing another doctor's name and license without his permission.

Jamaican National Arrested for VA Benefits Redirection Scheme

A Jamaican national was arrested by OIG and Department of Homeland Security (DHS) agents for conspiracy to commit wire fraud in connection with an e-Benefits redirection scheme. An OIG and DHS investigation disclosed that suspects in Jamaica allegedly redirected monthly benefit payments of veterans and Social Security recipients. Subsequently, cards containing the benefit payments were mailed to the defendant in the United States where the funds were removed, a portion kept, and the remainder sent back to Jamaica. Additionally, the investigation also identified that the defendant was allegedly involved in lottery scams, which targeted elderly, vulnerable victims. The defendant confessed to his role in the scheme and later agreed to cooperate. This New York-based investigation, which has resulted in four arrests to date, began as a proactive, nationwide effort to combat the growing problem of veterans' benefits redirections. It is estimated that approximately \$7 million in VA benefits have been redirected nationwide since 2015.

Non-Veteran Sentenced for VA Benefits Redirection

A non-veteran was sentenced to 3 years' probation and 150 hours' community service and was ordered to pay \$59,465 in restitution. To date, seven non-veterans have been sentenced to a combined 336 months' incarceration, 216 months' of supervised release, and 36 months' probation, and have been ordered to pay \$2,164,783 in restitution. Three additional subjects are currently fugitives. An OIG, Homeland Security Investigations, and USFIS investigation in the Miami, FL, area resulted in the discovery of defendants in Jamaica redirecting the monthly benefit payments of veterans and Social Security recipients. Subsequently, pre-paid credit cards containing the benefit payments were mailed to co-defendants in the Miami, FL, area where the funds were removed, a portion kept, and the remainder sent back to Jamaica.

Youngstown, Ohio, VA Community Based Outpatient Clinic Employee Pleads Guilty to Intent to Engage in Illicit Sexual Conduct with a Minor

A Youngstown, OH, VA Community Based Outpatient Clinic employee pled guilty to transportation of minors, travel with intent to engage in illicit sexual conduct. An OIG, Ohio Internet Crimes Against Children Task Force, and Homeland Security Investigations investigation revealed that the defendant used electronic devices with internet connectivity, including his VA-issued computer, to entice an underage female to engage in sexual activity, and then traveled interstate to engage in illicit sexual activity with a 15-year-old girl.

Subject Indicted for Identity Theft and Larceny

A subject was arrested for identity theft and larceny. An OIG, SSA OIG, and County District Attorney's Office investigation resulted in charges that allege that the defendant used the identity of a veteran to receive medical care and medications from the New York, NY, VAMC. The defendant also applied for VA compensation and pension benefits using the veteran's identity, but was denied. The defendant did obtain SSA and local welfare benefits using the veteran's identifiers. The loss to VA is \$26,578.

Non-Veteran Arrested for Identity Theft

A non-veteran was arrested for false statements. An OIG investigation resulted in charges that the defendant allegedly assumed the identity of a 100 percent service-connected veteran who was his estranged half-brother, and began receiving medical treatment and narcotics from the Cincinnati, OH, VAMC. The defendant also used the assumed identity to obtain narcotics from other local hospitals in the southern OH area. The loss to VA is \$20,669.

Assaults and Threats Made Against VA Employees**Veteran Sentenced for Making Threats to VA Physician**

A veteran was sentenced to 6 months' home detention, 4 years' probation, 100 hours' community service, and was ordered to participate in a drug/mental health treatment program. An OIG investigation revealed that the defendant threatened to kill his VA physician due to the doctor's refusal to prescribe additional Oxycodone. As a result of the veteran's threats, a VA Community Based Outpatient Center was temporarily placed on "lock down," adversely impacting patient care.

RECENTLY RELEASED OIG REPORTS

Quality of Care Concerns at Two Veterans Integrated Service Network 23 Facilities and a Veterans Readjustment Counseling Center – The OIG assessed quality of care concerns at the St. Cloud VA Health Care System (St. Cloud System), St. Cloud, MN; the Minneapolis VA Health Care System (Minneapolis System), Minneapolis, MN; and the St. Paul Veterans Readjustment Counseling Center (Vet Center), New Brighton, MN.

Quality of Care and Other Concerns, Robert J. Dole VA Medical Center, Wichita, Kansas – The OIG evaluated quality of care and other concerns at the request of former Congressman Tim Huelskamp and Mike Pompeo at the Wichita VAMC.

Administrative Investigation – Conflicting Interests and Misuse of Government Equipment, Overton Brooks VA Medical Center Shreveport, Louisiana – The OIG investigated allegations that employees engaged in conflicting interests and misuse of government equipment at the Overton Brooks VAMC.

Administrative Summary of Investigation by the VA Office of Inspector General in Response to Allegations Regarding Patient Wait Times, VA Medical Center in Asheville, North Carolina – The OIG conducted an investigation regarding the occurrence of numerous incidents of potential wrongdoing among staff at VAMC Asheville.

Clinical Activities, Staffing, and Administrative Practices, Eastern Oklahoma VA Health Care System, Muskogee, Oklahoma – The OIG evaluated a range of clinical, staffing, and administrative practices at the Eastern Oklahoma VA Health Care System.

Alleged Access Delays and Surgery Service Concerns, VA Roseburg Healthcare System, Roseburg, Oregon – The OIG reviewed allegations regarding access delays and surgery service quality of care concerns at VAMC Roseburg.

Administrative Summary of Investigation by the VA Office of Inspector General in Response to Allegations Regarding Patient Wait Times, VA Medical Center in Pittsburgh, Pennsylvania – The OIG conducted an investigation in response to media reports that the facility had a list of 700 veterans waiting for appointments and that computer systems were being manipulated to hide appointment scheduling problems at the Pittsburgh VAMC.

Alleged Staffing, Quality of Care, and Administrative Deficiencies, Amarillo VA Health Care System, Amarillo, Texas – The OIG evaluated allegations concerning inadequate staffing, quality of care, and administrative deficiencies at the Amarillo VA Health Care System.

Audit of VHA's Alleged Inappropriate Scheduling of Electromyography Consults at the Memphis VA Medical Center – The OIG reviewed an allegation of inappropriate scheduling of electromyography consults at the Memphis VAMC.

Management of Mental Health Care Concerns, Clement J. Zablocki VA Medical Center, Milwaukee, Wisconsin – The OIG evaluated allegations regarding the management of mental health care concerns and quality of care provided to a mental health patient at the Clement J. Zablocki VAMC.

Clinical Assessment Program Reviews

In July 2017, OIG published six Clinical 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 thirteen activities:

- (1) Quality, Safety, and Value;
- (2) Environment of Care;
- (3) Alcohol Use Disorder
- (4) Medication Management: Anticoagulation Therapy;
- (5) Coordination of Care: Inter-Facility Transfers;
- (6) Moderate Sedation;
- (7) Community Nursing Home Oversight;
- (8) Management of Disruptive/Violent Behavior;
- (9) Mental Health Residential Rehabilitation Treatment Program;
- (10) Post-Traumatic Stress Disorder Care;
- (11) Panic Alarm Testing; and
- (13) Diagnostic Care: Point-of-Care Testing.

Loma Linda Healthcare System, Loma Linda, California

Lexington VAMC, Lexington, Kentucky

Oscar G. Johnson VA Medical Center, Iron Mountain, Michigan

Adela E. Lutz VA Medical Center, Saginaw, Michigan

Montana VA Health Care System, Fort Harrison, Montana

El Paso VA Health Care System, El Paso, TX



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