CRIMINAL INVESTIGATIONS

Veterans Health Administration Investigations

Tomah, Wisconsin, VAMC Peer Support Specialist Convicted of Sexual Exploitation

A Tomah, WI, VA Medical Center (VAMC) peer support specialist pled no contest and was convicted of sexual exploitation by a therapist and misdemeanor charges of fourth degree sexual assault and lewd behavior-exposure. The former employee was sentenced to 24 months’ probation for the misdemeanor charges, while the felony charge will be dismissed pursuant to the successful completion of a three-year diversion agreement requiring the defendant to be engaged in therapy, have no contact with victims, comply with conditions of probation, and not work in any capacity in mental health or substance abuse treatment. An Office of Inspector General (OIG), VA Police Service, and Tomah Police Department investigation revealed that the defendant texted inappropriate pictures, groped, and had sexual relations in his office with female veteran patients.

Non-Veteran Indicted for Health Care Fraud and False Statements

An OIG investigation resulted in charges that the defendant used a forged DD-214, claiming to be an eligible veteran in order to fraudulently receive medical care for approximately two years at the Charleston, SC, VAMC. The defendant also attempted to obtain a disability rating from VA, but was denied based on this investigation. The loss to VA is approximately $197,000.

Former Martinsburg, West Virginia, Chief of Staff Pleads Guilty to Drug Diversion

An OIG and VA Police Service investigation revealed that the defendant diverted and used approximately 5,225 micrograms of fentanyl by improperly using patient information to access Omnicell (medication dispensing) machines.

Former Denver, Colorado, Contract Nurse Indicted for Tampering with a Consumer Product and Obtaining a Controlled Substance by Deceit or Subterfuge

An OIG and Food and Drug Administration (FDA) Office of Criminal Investigations (OCI) joint effort investigation resulted in charges that the defendant diverted hydromorphone while at the VAMC and tampered with fentanyl while working at a non-VA Hospital.

Orlando, Florida, VAMC Nurse Pleads Guilty to Drug Diversion

An OIG investigation revealed that for over six months the defendant diverted 467 vials of fentanyl. The defendant tested positive for fentanyl and marijuana, and subsequently resigned from VA as a result of the investigation.
Veteran Arrested for Possession with Intent to Distribute a Controlled Substance
An OIG, VA Police Service, and Drug Enforcement Administration investigation resulted in charges that while participating in a VA inpatient drug treatment program, the defendant provided fentanyl to two other patients in the program, causing both of them to overdose. Both veterans subsequently recovered.

Veterans Benefits Administration Investigations

Veteran Pleads Guilty to Theft of Government Funds
An OIG investigation revealed that the defendant falsely claimed to VA for more than 20 years that he/she experienced vision loss and related disability. The veteran received a 100 percent service-connected rating in October 1994 for legal blindness in both eyes (20/200 with only light perception). However, the investigation determined that the defendant had an extensive driving history, with visual acuity of 20/40 during his last vision test with the Florida Department of Highway Safety and Motor Vehicles. Also, medical records obtained from the veteran’s private optometrist revealed that the veteran’s best corrected vision ranged between 20/25 and 20/40. The loss to VA is $583,485.

Veteran Sentenced for VA Compensation Fraud
A veteran was sentenced to 27 months’ incarceration, three years’ probation, and was ordered to pay $434,594 in restitution after being found guilty at trial of health care fraud and false statements relating to health care matters. An OIG investigation revealed that the defendant misrepresented the extent and severity of his disabilities by claiming the loss of use of both feet when the defendant is capable of walking unassisted.

Veteran Convicted of Compensation Fraud
A veteran who was also a former sheriff’s deputy was found guilty at trial of theft of Government funds and making false statements. An OIG investigation revealed that the defendant, who claimed he was blind and unable to see beyond five feet, was quite functional and engaged in many activities that he claimed he was unable to perform. The loss to VA is $311,215 and the loss to the Social Security Administration (SSA) is $376,200.

Veteran’s Girlfriend Pleads Guilty to Making False Statements on a Loan Application
An OIG and U.S Secret Service investigation resulted in charges that a veteran and his girlfriend 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. Subsequently, the veteran received VA Individual Unemployability (IU) benefits from 2009 to 2017. The investigation further revealed that the veteran maintained 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. The loss to VA is approximately $134,553.
Granddaughter of Deceased VA Beneficiary Agrees to Pre-Trial Diversion

The granddaughter of a deceased VA beneficiary entered into a pre-trial diversion agreement and agreed to pay VA restitution of $157,029. An OIG investigation revealed that the defendant stole VA benefits that were direct deposited after her grandmother’s death.

Son of Deceased VA Beneficiary Pleads Guilty in Theft of VA Benefits

The son of a deceased VA beneficiary pled guilty to disorderly conduct and was also ordered to pay VA restitution of $126,850 related to benefit theft. An OIG and New York Police Department investigation revealed that the defendant stole VA Dependency and Indemnity Compensation (DIC) benefits that were direct deposited after his mother’s death in April 2008. The defendant used the funds for personal expenses.

Daughter of Deceased VA Beneficiary Sentenced for Theft of VA Benefits

The daughter of a deceased VA beneficiary was sentenced to 15 months’ incarceration, five years’ supervised release, and was ordered to pay VA full restitution of $119,389. An OIG investigation revealed that the defendant stole VA benefits that were direct deposited after her mother’s death in August 2009. The defendant stole the funds with an ATM card and by forging and negotiating personal checks.

Niece of Deceased VA Beneficiary Sentenced for Theft of VA Benefits

The niece of a deceased VA DIC beneficiary was sentenced to 60 months’ probation and was ordered to pay VA restitution of $118,672 after pleading guilty to theft of Government funds. An OIG investigation revealed that the defendant received, forged, and negotiated VA benefit checks that were issued after her aunt’s death. The defendant also forged and submitted a VA Marital Status Questionnaire in 2014 to ensure that she continued to fraudulently receive the VA benefits.

Other Investigations

Construction Company Owners Enter into Agreement with Government

A construction company and its owners have agreed to pay the United States $3 million to resolve allegations that they violated the False Claims Act by taking advantage of Federal contracting opportunities reserved for Service-Disabled Veteran-Owned Small Businesses (SDVOSBs). An OIG, Federal Bureau of Investigation (FBI), and Army Criminal Investigation Division (CID) investigation revealed that the construction company’s owners created an SDVOSB using a service-disabled veteran to act as a “pass through” for their company, which then allowed it to compete for SDVOSB set-aside contracts. As a result, the SDVOSB was awarded 21 set-aside contracts totaling over $21 million, all of which were subcontracted directly to or through the pre-existing construction company.

Former VA Vendor Sentenced for Kickbacks

A former VA vendor was sentenced to three years’ probation and was ordered to pay restitution of $180,000. A VA OIG and Federal Deposit Insurance Corporation OIG investigation revealed that from April 2014 to April 2015, the defendant received purchase card payments of $125,549 for unnecessary maintenance work. During this
time, the defendant kicked back approximately $39,000 to a former VA supervisor and approximately $20,800 to his step-father, who at the time was also a VA employee. This investigation is ongoing, but there is an anticipated loss of $451,853 to VA.

Former University Dean and Former Company Director Plead Guilty to Conspiracy to Commit Wire Fraud

A VA OIG, FBI, and Department of Education OIG investigation revealed that between 2011 and 2013, a university and the private company defrauded VA and veterans through a bait-and-switch scheme. As part of the conspiracy, the defendants prepared and submitted an application to VA stating that their courses were developed, taught, and administered by the university faculty and met its stringent educational standards. After approval, the private company began aggressively marketing the courses to veterans who were eligible to receive Post-9/11 G.I. Bill benefits. In reality, the veterans were ultimately enrolled in online, unapproved correspondence courses developed and administered by an unapproved third-party school. Neither the private company nor the third-party subcontractor was ever disclosed to the Government, and neither was eligible to receive Post-9/11 G.I. Bill benefits. Both defendants pled guilty and agreed to pay total restitution of $24 million. Also, the former dean paid a forfeiture of $73,055 prior to her guilty plea, and the former Director agreed to a forfeiture of $426,547.

Computer Training Center Owner Sentenced for Theft

A computer training center owner was sentenced to 24 months’ incarceration and three years’ supervised release after pleading guilty to theft of Government funds. Under terms of the plea agreement, the defendant also consented to a forfeiture judgment of $1.27 million and agreed to pay restitution of $2.8 million. An OIG and Department of Labor (DOL) investigation revealed that the defendant stole over $2.8 million from a program designed to help older, unemployed veterans receive training and find employment in high-demand occupations. The defendant logged on to the application system more than 100 times and certified that she was the actual veteran applying for benefits, supplied false information about employment status, and supplied false attendance information. The defendant also allowed veterans to attend training for less than the required hours, to stop attending training prior to completion, and in many cases never attend training.

Veteran Pleads Guilty to Wire Fraud Conspiracy

An OIG and Internal Revenue Service (IRS) CID investigation resulted in charges that the defendant and the owners of a welding school provided false information to VA concerning the number of hours of instruction and the manner and quality of the instruction provided to enrolled veterans whose tuition was paid by VA. The enrolled veterans rarely, if ever, received instruction from employees at the school. The defendant, who enrolled in three courses at the school, admitted that he did not receive any instruction during his period of enrollment and instead visited the school only to sign in to create the appearance that he was attending the required number of hours. Also, the school owners allegedly hired the defendant to recruit additional veteran students. The defendant stated that he recruited approximately 20 veterans to enroll at the school and informed those veterans that they would not have to attend classes, but could still receive their housing allowance. To date, VA has paid over $1.4 million to the school in
tuition and over $1.1 million to veteran enrollees in housing allowances and book and supply stipends.

**Founder and Majority Owner of Insys Therapeutics Inc. Arrested for Racketeer Influenced and Corrupt Organizations Conspiracy, Conspiracy to Commit Mail and Wire Fraud, and Conspiracy to Violate the Anti-Kickback Law**

A multi-agency investigation resulted in charges that the defendant led a nationwide conspiracy to profit by using bribes and fraud to cause the illegal distribution of Subsys, a fentanyl spray intended for cancer patients experiencing breakthrough pain. A superseding indictment also includes additional charges against six former executives and managers who were initially indicted in December 2016. The superseding indictment charges the executives and managers with conspiring to bribe practitioners in various states in order to get them to prescribe Subsys. In exchange for bribes and kickbacks, the practitioners allegedly wrote a large number of prescriptions for patients, most of whom were not diagnosed with cancer. The indictment also alleges that the defendants conspired to mislead and defraud health insurance providers who were reluctant to approve payment for the drug when it was prescribed for non-cancer patients. The Civilian Health and Medical Program of the Department of Veterans Affairs paid the company approximately $3.3 million for Subsys.

**New England Compounding Center Pharmacist Convicted of Multiple Charges**

The supervisory pharmacist of the New England Compounding Center (NECC) was 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, the largest public health crisis caused by a pharmaceutical drug in United States history. An OIG, FDA OCI, FBI, DCIS, and United States Postal Service (USPS) investigation revealed that the defendant deliberately violated safety regulations while he ran NECC’s clean room operations. The investigation additionally revealed that NECC, under the defendant’s supervision, improperly sterilized medication, conducted inadequate sterility testing, mislabeled drugs, and skipped routine cleaning of the clean room. 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.

**Naturalized U.S. Citizen Pleads Guilty to Bulk Cash Smuggling in Connection with an e-Benefits Redirection Scheme**

An OIG and Department of Homeland Security investigation resulted in the defendant’s arrest as she attempted to leave the United States. A Customs and Border Patrol examination of her checked baggage resulted in the discovery of $94,000 concealed in Vaseline containers and additional funds discovered in her carry-on luggage, resulting in a total seizure of $102,848. The investigation determined that the seized funds were the proceeds of redirected monthly benefit payments of VA and SSA beneficiaries and Jamaican lottery scam victims. As a result of the plea agreement, the defendant agreed to forfeit the $102,848 in seized funds. The New York-based investigation, which has resulted in four arrests, 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.

Workers’ Compensation Clinic Owner Charged with Health Care Fraud, Wire Fraud, and Aggravated Identity Theft

A joint VA OIG, USPS OIG, DOL OIG, and FBI investigation resulted in charges that since October 2012, the defendant submitted false and fraudulent claims and requests for payment for services not rendered to multiple Federal agencies. The defendant also allegedly used the name and physical therapy license number of another person without his/her knowledge in an effort to further the fraud scheme. The overall loss to the Government is approximately $7.5 million, to include a loss to VA of approximately $400,000.

Former Youngstown, Ohio, VA Community Based Outpatient Clinic Employee Sentenced for Child Sexual Activity

A former Youngstown, OH, VA Community Based Outpatient Clinic employee was sentenced to 53 months’ incarceration and 10 years’ supervised release. An OIG, Ohio Internet Crimes Against Children Task Force, and Homeland Security Investigations joint effort 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.

Bail Bonds Agent Found Guilty at Trial of Conspiracy, Theft of Government Funds, and Aggravated Identify Theft

An OIG and IRS CID investigation revealed that the defendant used his bail bonds company to accept over 100 stolen U.S. Treasury checks issued for VA benefits and tax refunds. The loss is approximately $850,000.

Assaults and Threats Made Against VA Employees

Veteran Arrested for Aggravated Menacing and Telephonic Harassment

An OIG investigation resulted in charges that the defendant called a VA fiduciary supervisor on multiple occasions and made threatening statements, to include telling the supervisor that he would “crack his skull open” if he did not make changes to the defendant’s VA claim file.

RECENTLY RELEASED OIG REPORTS

Healthcare Inspection – Opioid Agonist Treatment Program Concerns VA Maryland Health Care System Baltimore, Maryland – OIG conducted a healthcare inspection in response to allegations made by a confidential complainant in 2015 regarding the Opioid Agonist Treatment Program at the Baltimore VAMC.
Review of Potential Misuse of Purchase Cards at Veterans Integrated Service Network 15 – OIG, at the request of the former Chairman of the House Committee on Veterans’ Affairs, reviewed purchase card practices within Veterans Integrated Service Network 15.

MICHAEL J. MISSAL
Inspector General