CRIMINAL INVESTIGATIONS

Veterans Health Administration Investigations

Former Washington, DC, VA Medical Center Payroll Technician Sentenced for Theft of Government Funds

A former Washington, DC, VA Medical Center (VAMC) payroll technician was sentenced to 24 months’ incarceration, 36 months’ supervised release, and ordered to pay restitution of nearly $312,000. An investigation by the Office of Inspector General (OIG) and Air Force Office of Special Investigations revealed that the defendant, who also previously worked for the Air Force, stole government funds by manipulating employee time cards and financial allotment accounts. The defendant inserted his personal bank account information into the payroll accounts of VA and Air Force employees and channeled additional overtime and special payments to his personal bank account. The loss to the Air Force is about $174,000 and the loss to VA is approximately $137,700.

Former VA Vendor Pled Guilty to Blackmail

A former VA vendor pled guilty to one count of blackmail. A joint OIG and Federal Deposit Insurance Corporation OIG investigation revealed that from February 2014 to April 2015, a former St. Louis, Missouri, VAMC supervisor issued purchase card payments of about $451,800 to this defendant and two other vendors for unnecessary maintenance work. During this time, the three vendors kicked back a total of approximately $136,500 in cash payments to the former supervisor. This particular vendor received an estimated $181,600 in purchase card payments and kicked back an estimated $56,250 to the former VAMC supervisor. The two other vendors and the former VAMC supervisor previously pled guilty and were sentenced.

Former Sunrise, Florida, VA Community Outpatient Nurse Sentenced for Drug Diversion

A former Sunrise, Florida, VA community outpatient clinic nurse was sentenced to mental health and substance abuse treatment and two years’ probation after pleading guilty to obtaining possession of a controlled substance by misrepresentation, fraud, forgery, deception, or subterfuge. An OIG investigation revealed that the defendant diverted two opioids—Fentanyl and Versed—by substituting saline solution during gastrointestinal procedures.
Veterans Benefits Administration Investigations

Daughter-in-Law of Deceased VA Beneficiary Indicted for Theft of Government Funds
The daughter-in-law of a deceased VA beneficiary was arrested after being indicted for theft of government funds. A VA OIG and Social Security Administration (SSA) OIG investigation resulted in charges that allege the defendant stole VA funds that were direct deposited after her father-in-law’s death in November 2009. The loss to VA is approximately $270,000.

Daughter of Deceased VA Beneficiary Indicted for Theft of Government Funds
The daughter of a deceased veteran was arrested for theft of government funds after being indicted by a grand jury for fraudulently collecting VA Dependency and Indemnity benefits for which she was not entitled. An OIG investigation resulted in charges that allege the defendant received, forged, and negotiated VA benefit checks that were issued after her mother’s death in February 2006. The loss to VA is over $135,000.

Daughters of Deceased VA Beneficiaries Sentenced for Theft of Government Funds
The daughter of a deceased beneficiary was sentenced to eight months’ home confinement, three years’ probation, and was ordered to pay restitution of over $128,000. An OIG investigation revealed the defendant knowingly stole VA benefits that were direct deposited after her mother’s death in December 2004.

In a separate case, another daughter of a deceased VA beneficiary was sentenced to 60 months’ probation and ordered to pay restitution in the amount of $62,685. An OIG investigation revealed that the defendant received, forged, and negotiated VA benefit checks that were issued after her mother’s death in August 2010.

Daughter of Deceased VA Beneficiary Pled Guilty to Theft of Government Funds
The daughter of a deceased VA beneficiary pled guilty to theft of government funds. An OIG investigation revealed that the defendant knowingly stole VA pension benefits that were direct deposited after her father’s death in December 2002. The loss to VA is approximately $52,000.

Spouse of Deceased Veteran Indicted for Theft of Government Funds, False Statements, and Social Security Fraud
A deceased veteran’s spouse was arrested after being indicted for theft of government funds, false statements, and Social Security fraud. A VA OIG and SSA OIG investigation resulted in charges that the defendant committed fraud against VA, SSA, and the Internal Revenue Service (IRS) by developing a long-term criminal scheme to fraudulently receive disability benefits by creating a false male-child identity that she claimed as a dependent. The defendant fabricated an intricate back-stop, including school records and other similar documents to verify the child’s existence, and then
used the false portrayal to obtain dependent benefits from government agencies for several years. The fraud was initially discovered due to a local law enforcement cold case homicide investigation regarding the suspicious death of the deceased veteran and one of the defendant’s former boyfriends. The loss to SSA is over $68,800 and the loss to VA is $44,630.

**Veteran Sentenced for VA Compensation Fraud**

A veteran was sentenced to 48 months’ probation, six months’ home detention, and ordered to pay $81,500 in restitution after pleading guilty to theft of government funds. An OIG investigation revealed that while the defendant was in receipt of benefits for the loss of the use of both feet, he was capable of walking without issue and carrying large/heavy objects over his shoulder. During the investigation, the defendant was never observed using any form of assistive device outside of VA property. The loss to VA is nearly $264,000.

**Other Investigations**

**President of a Private Business Pled Guilty to Conspiracy to Commit Wire Fraud**

The president of a private business pled guilty to conspiracy to commit wire fraud and signed a civil default judgment for approximately $702,000. A VA OIG, Federal Bureau of Investigation (FBI), and Department of Education OIG investigation revealed that the defendant engaged in a conspiracy to defraud VA by illegally obtaining tuition assistance and other education-related benefits under the Post-9/11 G.I. Bill. Over the course of the conspiracy, the defendant partnered with a New Jersey university to obtain approval from VA to receive tuition and other education benefits for several online non-credit training and certification courses. These courses were actually developed, taught, and administered by undisclosed and unapproved subcontractors of the private business, not faculty of the university. The defendant and others developed marketing materials and a script to be used by the private business’ salespersons at various military bases around the United States in order to market and enroll thousands of veterans in the courses. While most courses at the correspondence school cost between approximately $600 and $1,000 in tuition, the university charged between approximately $5,000 and $26,000 per course. Over the course of the conspiracy, the defendant and others caused VA to pay out over $35 million. The defendant’s plea agreement was set pursuant to a regulation that requires the judge to sentence the defendant to an exact term of 60 months’ imprisonment and three years’ supervised release. The defendant will also be required to pay restitution of over $24 million as part of this plea agreement.

**Two Former Owners of a Fraudulent Service-Disabled Veteran-Owned Small Business Pled Guilty to Participation in a “Rent-A-Vet” Scheme**

Two former owners of a Kansas City, Missouri, construction company pled guilty to a “Rent-A-Vet” scheme to fraudulently obtain more than $13.8 million in federal contracts, including $13.7 million in VA contracts, for work in nine states. A VA OIG-led
investigation, with assistance from the General Services Administration OIG, revealed that the defendants used one of the defendant’s Service-Disabled Veteran (SDV) statuses to create a “pass-through” company for the purpose of obtaining 20 set-aside Service-Disabled Veteran-Owned Small Business (SDVOSB) and Veteran-Owned Small Business contracts. The work was then subcontracted to a non-SDVOSB that was owned by the other non-veteran defendant. The SDV owner maintained full-time work as a government employee and did not control the day-to-day management, daily operation, or long-term decision making of the SDVOSB. Under the conditions of their pleas, the two defendants must consent to the federal civil forfeiture of approximately $2.1 million.

Defendant Pled Guilty for Service-Disabled Veteran-Owned Small Business Fraud

The last of four defendants pled guilty to false official writings for claiming to own 100 percent of her company when she only owned a third. Two defendants previously pled guilty to conspiracy to commit wire fraud and were sentenced. Another defendant died prior to plea negotiations. A VA OIG, Small Business Administration OIG, Defense Criminal Investigative Services, Department of Labor (DOL) OIG, and FBI investigation revealed that the defendants were owners of and/or officers in multiple companies, all being classified and operated as small businesses. All companies were, at one point, operated under the SBA 8(a) program or the VA SDVOSB program. The investigation further revealed that beginning in February 2003 and continuing until October 2014, the defendants conspired with one another and other individuals to defraud the United States and its agencies of over $140 million in contract payments from 8(a) and SDVOSB contracts for a profit of approximately $24 million. The VA contracts, which included American Recovery and Reinvestment Act Funds, were worth approximately $7.9 million.

Former Nonprofit Organization Board Member Pled Guilty to Conspiracy to Embezzle from a Nonprofit Organization

A VA OIG, IRS-Criminal Investigation, FBI, Department of Housing and Urban Development OIG, FDIC OIG, Department of Health and Human Services OIG, DOL OIG, and Medicaid Fraud Control Unit of the Missouri Attorney General’s Office investigation revealed that the former board member was part of a conspiracy to unjustly enrich himself and others through a nonprofit organization that contracted with VA to provide substance abuse counseling and housing services for veterans. As part of the conspiracy, the board member and others unlawfully used the nonprofit’s funds for political contributions, excessive lobbying, and political advocacy. They also paid themselves through a system of kickbacks that disguised the nature and source of the payments. To increase the supply of funds from which they could embezzle, the conspirators caused the nonprofit to seek out and obtain additional sources of revenue, including federal program funds, through “political outreach” that violated both law and public policy. As part of the conspiracy, the board member allegedly received $387,500 from a lobbying firm and $63,000 in kickback payments as a result of his participation in the conspiracy. From 2010 to 2016, the nonprofit had revenues of approximately $837 million, to include $1.7 million from VA.
Former New England Compounding Center Supervisory Pharmacist Sentenced in Connection with the 2012 Nationwide Fungal Meningitis Outbreak

The former supervisory pharmacist of the New England Compounding Center (NECC) was sentenced in connection with the 2012 nationwide fungal meningitis outbreak that killed 64 and caused infections in 793 patients. The defendant was sentenced to eight years’ incarceration, two years’ probation, and forfeiture and restitution of an amount that will be determined at a later date. In October 2017, the defendant was convicted by a jury of 77 counts, including racketeering, racketeering conspiracy, mail fraud, and introduction of misbranded drugs into interstate commerce with the intent to defraud and mislead. An OIG, U.S. Food and Drug Administration Office of Criminal Investigation, FBI, DCIS, and United States Postal Service investigation revealed that the defendant deliberately violated safety regulations when 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. Although no known VA patients died or became ill as a result of receiving an NECC product, VA purchased approximately $516,000 of NECC products that were allegedly produced in unsanitary conditions and in an unsafe manner.

RECENTLY RELEASED REPORTS

Administrative Investigation - VA Secretary and Delegation Travel to Europe – The OIG reviewed allegations from an anonymous complainant that Secretary of Veterans Affairs David Shulkin and other senior leaders misused VA funds by taking an official July 2017 trip to Europe for more personal than official activities.

Review of Excessive Procurement Costs at VHA’s Rural Outreach Clinic in Laughlin, Nevada – The OIG, at the request of former US Senator Harry Reid, reviewed allegations of excessive rent and remodeling costs, lack of radiology services, and inadequate handicap accessibility at the Master Chief Petty Officer Jesse Dean VA Clinic.

Healthcare Inspection – Review of Montana Board of Psychologists Complaint and Assessment of VA Protocols for Traumatic Brain Injury Compensation and Pension Examinations – The OIG conducted a review in response to a legislative mandate and a request from Representatives Tim Walz (Minnesota) and Mike Coffman (Colorado) to inform the House Committee on Veterans’ Affairs about whether qualified care providers are conducting Traumatic Brain Injury Compensation and Pension examinations. Also, as directed by Congress, the OIG reviewed a veteran’s case and related complaint to the Montana Board of Psychologists to help inform OIG findings and recommendations.

Healthcare Inspection – Alleged Failure in Patient Notification of Test Results, VA Connecticut Healthcare System, West Haven, Connecticut – The OIG conducted an inspection in response to allegations that the VA Connecticut Healthcare System, West Haven Campus, failed to notify a patient of test results.
Comprehensive Healthcare Inspection Program Reviews

Comprehensive Healthcare Inspection Program (CHIP) reviews are one element of the OIG’s overall efforts to ensure that our nation’s veterans receive high-quality and timely VA healthcare services. The reviews are performed approximately every three years for each facility. The OIG selects and evaluates specific areas of focus on a rotating basis each year. The following are OIG’s current areas of focus:

(1) Leadership and Organizational Risks
(2) Quality, Safety, and Value
(3) Medication Management
(4) Coordination of Care
(5) Environment of Care
(6) High-Risk Processes
(7) Long-Term Care
(8) Mental Health Residential Rehabilitation Treatment Program
(9) Posttraumatic Stress Disorder Care

Central Alabama Veterans Health Care System, Montgomery, Alabama
VA Northern California Health Care System, Mather, California
Miami VA Healthcare System, Florida
Robert J. Dole VA Medical Center, Wichita, Kansas
Alexandria VA Health Care System, Pineville, Louisiana
Chalmers P. Wylie VA Ambulatory Care Center, Columbus, Ohio
Wilkes-Barre VA Medical Center, Wilkes-Barre, Pennsylvania
VA Black Hills Healthcare System, Fort Meade, South Dakota
West Texas VA Health Care System, Big Springs, Texas
Hampton VA Medical Center, Virginia

MICHAEL J. MISSAL
Inspector General