



DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL

NOVEMBER 2023 HIGHLIGHTS

Office of Investigations

This office investigates potential crimes and civil violations of law involving VA programs and operations concerning VA employees, contractors, beneficiaries, and other individuals. These investigations focus on a wide range of matters, including healthcare, procurement, benefits, construction, and other fraud; cybercrime and identity theft; bribery and embezzlement; drug offenses; and violent crimes. The following investigations had significant developments this month.

Healthcare Investigations

Three Codefendants Found Guilty in Connection with Multimillion-Dollar Healthcare Fraud Scheme

Three codefendants who operated multiple North Texas compound pharmacies were found guilty at trial for conspiring with several doctors to charge medically unnecessary compound prescriptions, pain creams, scar gels, and multivitamins primarily to patients covered under the Office of Workers' Compensation Program. The trial took place in the Northern District of Texas. The total loss to the government is about \$62 million, including an approximate \$7.5 million loss to VA. The VA OIG, Internal Revenue Service Criminal Investigation (IRS-CI), US Postal Service OIG, and Department of Labor OIG conducted this investigation.

Non-VA Physician Sentenced for Participating in Healthcare Fraud Conspiracy

A multiagency investigation revealed that a business owner created hundreds of durable medical equipment (DME) companies and placed them in the names of straw owners, leading to the submission of over \$400 million in illegal DME claims to Medicare and CHAMPVA. The business owner's coconspirators purchased physician orders for DME from "marketers" who bribed physicians to sign the orders often without ever contacting the beneficiaries. A non-VA physician was sentenced in the Middle District of Florida to 60 months of probation, \$2.7 million in restitution, and forfeiture of more than \$31,000. The loss to VA is approximately \$400,000. The investigation was conducted by the VA OIG, Department of Health and Human Services (HHS) OIG, FBI, and IRS-CI.

Marketing Company Owner Pleaded Guilty to Role in Scheme Involving Durable Medical Equipment and Cancer Screening Tests

Another multiagency investigation resulted in charges alleging that multiple defendants participated in a healthcare fraud scheme through which telemarketers solicited DME and cancer screening tests to prospective patients. Telemedicine doctors involved with the scheme and with whom the patients did not have an existing relationship wrote the resulting fraudulent prescription orders. Many of the companies providing the equipment and tests identified in the scheme billed CHAMPVA. The total loss to federal and private healthcare benefit programs is approximately \$89 million. The total loss to VA is

approximately \$330,000. The owner of a marketing company located in India pleaded guilty in the District of New Jersey to conspiracies to commit healthcare fraud and violate the Anti-Kickback statute. The VA OIG, Defense Criminal Investigative Service (DCIS), FBI, and HHS OIG investigated the case.

Two Defendants Sentenced for Conspiring to Distribute Fentanyl at the Bedford, Massachusetts, VA Medical Center

Two defendants conspired to distribute fentanyl to veterans seeking treatment for substance use disorder at the Edith Nourse Rogers Memorial Veterans' Hospital. After pleading guilty in the District of Massachusetts, both defendants received prison sentences—one for 24 months and the other for 14 months—in addition to 36 months of supervised release. The investigation was conducted by the VA OIG, Drug Enforcement Administration, VA Police Service, and FBI.

Benefits Investigations

Former VA Benefits Service Representative Indicted on Federal Extortion, Bribery, and Witness Tampering Charges

According to a multiagency investigation, a former benefits service representative at the VA regional office in Providence, Rhode Island, allegedly solicited and accepted bribes from veterans and the family member of a veteran to approve requested disability benefits or dependent care benefits. It is also alleged that the defendant claimed to his victims that some of the money he sought from them would be used to purchase gift cards for other purported VA employees who either could or did assist him in expediting and approving benefits claims. The defendant was indicted in the District of Rhode Island on charges of extortion, bribery, gratuity received by a public official, and witness tampering. The investigation was conducted by the VA OIG, VA Police Service, US Postal Inspection Service, DCIS, and FBI.

Former VA Employee Sentenced for Theft of Government Funds

A VA OIG investigation demonstrated that a former employee at the VA regional office in Bay Pines, Florida, opened a joint bank account that listed a friend, who is a veteran, as the other account holder. While still with VA, the now former employee applied for, helped process, and then directed the veteran's VA compensation benefits—which were awarded without the veteran's knowledge—to be deposited into this joint account and used the funds for his own expenses. The defendant was sentenced in the Middle District of Florida to 12 months in prison, 36 months of supervised release, and \$566,000 in restitution after pleading guilty to theft of government funds.

School Owner Sentenced in Connection with Education Benefits Fraud Scheme

Another VA OIG investigation revealed that the owner of a non-college-degree school defrauded the VA education benefits program by making various misrepresentations to VA and the Louisiana Department of Veterans Affairs. The school owner was aware that the funds were intended to train

veteran students but used them instead to train and provide service dogs. In some cases, the defendant obtained VA payments and provided no services whatsoever. The total loss to VA is approximately \$384,000. After pleading guilty to theft of government funds, the defendant was sentenced in the Western District of Louisiana to 12 months of home confinement, 60 months of supervised release, and over \$384,000 in restitution.

Defendants Sentenced for Theft of VA and Social Security Benefits Intended for Deceased Relative

From January 2011 to December 2018, the daughter of a deceased VA beneficiary and her spouse fraudulently received VA Dependency and Indemnity Compensation benefits and Social Security benefits intended for the decedent. The defendants were both sentenced in the Western District of Texas to 60 months of supervised release and restitution of more than \$218,000 after pleading guilty to theft of government funds. The VA OIG and Social Security Administration OIG completed the investigation.

Investigation Involving Other Matters

Former VA Inventory Management Specialist Sentenced for Purchase Card Fraud Scheme

A former inventory management specialist at the Mountain Home VA Medical Center in Tennessee admitted to amending old purchase orders and then using his government-issued purchase card to submit payments to his wife's PayPal account in response to the amendments. A VA OIG investigation found that when the fraudulent purchase card payments were received, the inventory management specialist would transfer the funds to his own personal bank account. The former employee was sentenced in the Eastern District of Tennessee to five years of probation and ordered to pay restitution of over \$147,000 to VA after pleading guilty to theft of government funds.

Veteran Charged with Making Threats against the Albany, New York, VA Medical Center

A VA OIG and VA Police Service investigation resulted in charges alleging that a veteran made two phone calls to the Samuel S. Stratton VA Medical Center during which he threatened to kill an employee and blow up the facility. The veteran was arrested in the Northern District of New York after being charged with aggravated harassment.

Office of Audits and Evaluations

This office provides independent oversight of VA's activities to advance the integrity of its programs and operations. Its work helps VA improve program results, promotes economy and efficiency, strengthens controls over the delivery of benefits, identifies potential fraud, verifies compliance with laws and regulations, and enhances veteran care and support. The office released the following reports.

Financial Efficiency

Better Coordination Needed to Negotiate Consistent Prices for Prescription Eyeglasses

This review assessed whether the Veterans Health Administration (VHA) maintains price consistency across vendors and contracts when purchasing prescription eyeglasses for veterans. In fiscal year 2022, VHA spent about \$127.9 million on eyeglasses for nearly 1.4 million veterans. Focusing on two vendors supplying about 82 percent of the purchases through multiple contracts, the OIG's review determined that prices and pricing structures for eyeglasses varied across contracts from even the same vendor, with differences of more than \$10 per item. Most VA files lacked evidence that their own contracting personnel discussed pricing with one another before making an award. VHA has opportunities to save about \$2.9 million annually and to use additional strategies for paying more consistent eyeglass costs, such as through a pricing catalog or national contract. VA concurred with the OIG's two recommendations to develop a coordinated sourcing strategy and a process to enhance contracting officers' collaboration.

Financial Efficiency Inspection of the VA Augusta Health Care System in Georgia

The VA OIG conducts financial efficiency inspections to assess the VA healthcare systems' oversight and stewardship of funds. The OIG identified several opportunities for improvement in four areas at the Augusta healthcare system: accrued expense oversight, purchase card use, inventory and supply chain management, and pharmacy operations. The inspection team projected that 57 percent of outstanding accrued expenses for goods or services ordered, obligated, and received (but not paid for and due in the current accounting period) were not supported by documentation, such as an invoice, and should have been used for other purposes to benefit veterans. These outstanding accrued expenses amounted to an estimated \$4.6 million. The recommendations include VA better following policy for buying items using purchase cards, more accurately calculating the conversion of inventory from units bought to units sold, and narrowing the gap between expected and actual costs of pharmaceuticals.

Office of Healthcare Inspections

This office assesses VA's efforts to maintain a fully functional healthcare program that promotes high-quality patient care and safety and prevents adverse events. Staff conduct inspections prompted by OIG hotline complaints, congressional requests, and other leads. The office also performs inspections of vet centers and individual medical centers, healthcare systems, networks, and community providers. The Office of Healthcare Inspections released the following reports this month.

Featured Report

Delayed Receipt of Patients' Colorectal Cancer Screening Tests at the Phoenix VA Health Care System in Arizona

The OIG assessed allegations of delays in the receipt of colorectal cancer screening tests at the Phoenix VA Health Care System in Arizona. While the OIG substantiated that 406 patients' fecal immunochemical tests (FITs) were held in a non-VA warehouse due to an unpaid postage bill, which resulted in an inability to process 403 FITs, it did not substantiate a delay in further evaluation and care for the patients whose FITs were outside the specimen stability period. The OIG identified concerns with FIT processes, including the omission of a specimen collection date on the FIT label, laboratory staff's lack of clarity regarding FIT specimen stability, and primary care staff's lack of awareness regarding the importance of the collection date in determining stability. VA concurred with the OIG's two recommendations related to oversight of laboratory FIT processing and three recommendations regarding compliance with FIT processes.

Care in the Community Inspection

Care in the Community Summary Report for Fiscal Year 2022

The OIG Care in the Community (CITC) healthcare inspection program evaluates various aspects of care delivered in VHA community-based outpatient clinics (CBOCs) and through non-VA healthcare providers. In fiscal year 2022, the OIG reviewed VISNs 1, 2, 5, 6, 8, 12, 19, and 20, which are responsible for oversight of care provided by their associated medical facilities, CBOCs, and non-VA providers. The OIG reviewed VHA requirements and Joint Commission standards and evaluated core processes in the following six areas of administrative and clinical operations: leadership (oversight and management of care in the community); environment of care (emergency management of CBOCs); care coordination (congestive heart failure management); primary and mental health care (diagnostic evaluations for depression and alcohol use disorder); quality of care (home dialysis care); and women's health (mammography services by community providers). The OIG issued seven recommendations for improvement in two areas: care coordination and quality of care.

Comprehensive Healthcare Inspections

Comprehensive Healthcare Inspection Program (CHIP) reports are one element of the OIG's overall efforts to ensure that the nation's veterans receive high-quality and timely VA healthcare services. The inspections are performed approximately every three years for each facility. The OIG selects and evaluates specific areas of focus on a rotating basis. See the Purpose and Scope section of each report for the areas of focus at the time of the inspections. November's CHIP reports centered on the following facilities:

- [VISN 21: VA Sierra Pacific Network in Pleasant Hill, California](#)
- [Mann-Grandstaff VA Medical Center in Spokane, Washington](#)
- [VISN 16: South Central VA Health Care Network in Ridgeland, Mississippi](#)
- [Iowa City VA Health Care System in Iowa](#)
- [VISN 4: VA Healthcare in Pittsburgh, Pennsylvania](#)
- [VA Pacific Islands Health Care System in Honolulu, Hawaii](#)
- [Overton Brooks VA Medical Center in Shreveport, Louisiana](#)

Featured Hotline Case

The OIG's hotline staff accepts complaints from VA employees, the veteran community, and the public concerning potential criminal activity, waste, abuse, and gross mismanagement of VA programs and operations. The following is a case opened by the Hotline Division that was not included in the inspections, audits, investigations, or reviews detailed above.

VA Central Western Massachusetts Health Care System Revises Local Standard Operating Procedure for Pharmacy Service in Response to Discovering Totes of Expired Medication

The OIG Hotline received an allegation that VHA Pharmacy Benefits Management failed to properly manage medication. Specifically, the allegation stated that medication that expired in 2022 was not appropriately updated in the designated pharmacy return program for monetary recoupment at the VA Central Western Massachusetts Health Care System, resulting in a financial loss to VA. The allegation was reviewed and partially substantiated by VISN 1 (the VA New England Healthcare System). In June 2023, investigators discovered totes of expired medications in the pharmacy that were awaiting entry into the designated pharmacy return program. While noncompliance with the inventory management section of VHA Directive 1108.07, *General Pharmacy Service Requirements*, was substantiated, there was a lack of supporting evidence that monetary loss resulted from this mismanagement. Two corrective actions were taken in response to OIG findings: (1) the chief of pharmacy provided proper inventory management training to facility staff and (2) a new section in the VA medical center's Pharmacy Service standard operating procedure was created to specifically address the proper handling of expired medication returns.

To listen to the podcast on the November highlights, go to www.va.gov/oig/podcasts.