INSPECTOR GENERAL'S FRAUD WATCH
OCTOBER 2026

The VA OIG fights fraud through close collaboration with VA personnel, federal law enforcement partners, the Department of Justice, and multiple fraud task forces, VA OIG staff investigate and deter fraudulent and criminal conduct and disrupt complex fraud schemes that impact veterans' healthcare, education, and benefits.

Recent enforcement actions and audit reports included below highlight this impact. You can find more information on the VA OIG's oversight work, along with full investigative updates and reports, by visiting the VA OIG website.

Investigations – Recent Activity and Ongoing Cases

Healthcare Fraud

Healthcare fraud by VA-paid healthcare providers and vendors in the community is the intentional misrepresentation of information to gain payment, inconsistent with the type, scope, or nature of the treatment, service, or product provided.

- A member of a transnational healthcare fraud organization who served as the nominal owner of several fraudulent durable medical equipment companies was sentenced to 41 months' imprisonment and three years' supervised release. The defendant was also ordered to forfeit $20,586,427 after pleading guilty to conspiracy to commit money laundering. The sentence resulted from Operation Gold Rush, a multiagency investigation into a transnational criminal organization that submitted billions of dollars in fraudulent claims to American healthcare programs, including Medicare and the Civilian Health and Medical Program of VA (CHAMPVA), for equipment that was never prescribed or provided. The organization's activities resulted in approximately $900 million in payments from Medicare supplemental insurers, including an estimated $1.8 million paid through CHAMPVA. The investigation was conducted by VA OIG, Department of Health and Human Services (HHS) OIG, Office of Personnel Management OIG, and the FBI.

- The owner of a mental health services company pleaded guilty to healthcare fraud for submitting false claims to the Veterans Health Administration. A VA OIG investigation revealed that, from 2020 through February 2026, the defendant falsely represented herself as a licensed clinical social worker to obtain authorization to provide mental health services to veterans. The defendant also admitted employing an unlicensed individual to conduct counseling services while billing VA as if she had personally provided the care. In addition, the defendant admitted submitting claims using prefilled diagnosis codes without first making a diagnosis, billing for services while outside the state and country, falsely claiming in-person services that were conducted remotely, and improperly billing prolonged-service codes. The investigation determined that the defendant caused the submission of 2,833 false claims totaling approximately $2.7 million. VA paid approximately $1.84 million on those claims, which the defendant agreed to repay as restitution. As part of the plea agreement, the defendant agreed to pay $1.1 million toward restitution before sentencing, which is scheduled for January 2027.

- A chiropractor and owner of a medical supply company was sentenced to 168 months' imprisonment and 36 months' supervised release and was ordered to pay approximately $8 million in restitution. A VA OIG, Department of HHS OIG, Defense Criminal Investigative Service, and FBI investigation revealed that the defendant paid illegal kickbacks to marketers for Medicare patient referrals and to marketers and telemedicine companies for signed physicians' orders. The orders were used to support claims to government healthcare programs even though the telemedicine providers did not conduct meaningful patient evaluations. The scheme resulted in approximately $30 million in false and fraudulent claims for durable medical equipment that was medically unnecessary, obtained through illegal kickbacks, or not provided as billed. The claims included approximately $92,440 submitted to CHAMPVA.

- A former surgeon, who was not a VA employee, was sentenced to one year of probation and ordered to forfeit $379,000 after pleading guilty to conspiracy to violate the Anti-Kickback Statute and obstruction. A VA OIG, U.S. Postal Inspection Service, HHS OIG, and FBI investigation revealed that the defendant participated in a scheme involving bribes disguised as consulting fees in exchange for using a spinal device company's products. Six other surgeons, including a former VA physician and a non-VA surgeon paid through the Veterans Choice Program, previously entered into civil settlements in which they acknowledged receiving kickbacks in exchange for using the company's products.

- The CEO and vice president of a healthcare software and services company were sentenced for their roles in a healthcare fraud and kickback scheme. The CEO was sentenced to 19 years' imprisonment and three years' supervised release. The vice president was sentenced to 18 months' imprisonment and three years' supervised release. A multiagency investigation determined that the defendants and others conspired with telemarketers and medical providers to generate templated physicians' orders used to bill government insurers for medically unnecessary orthotic braces, pain creams, and other items in exchange for kickbacks and bribes. Medicare, VA, and other insurers were billed more than $1 billion and subsequently paid more than $360 million based on false and fraudulent claims. The loss to VA exceeded $3 million. Restitution will be determined at a later date.

Education Benefits Fraud

VA education benefits fraud involves the theft of benefits meant to help veterans, service members, and their qualified family members pay for college tuition, find the right school or training program, and obtain career counseling.

- Two owners of for-profit, non-college-degree schools that purported to offer courses in cybersecurity and computer coding were convicted of conspiracy to commit wire fraud and wire fraud. A VA OIG investigation revealed that the defendants hired a conspirator to recruit veteran students in exchange for approximately 25 percent of the Post-9/11 GI Bill benefits the schools received through those students' enrollments. The defendants concealed the recruitment arrangement from VA auditors through coded communications, concealed payments, backdated and falsified contracts, and fraudulent enrollment records. Only a small fraction of the veteran students sought or obtained certifications in the programs the schools purported to teach. The conspirator pleaded guilty and agreed to forfeit more than $3.9 million, representing an estimate of the proceeds he personally obtained from the scheme. The loss to VA was approximately $19.2 million.

- The owner of a coding school pleaded guilty to fraudulent acceptance of payments. A VA OIG investigation resulted in charges alleging that the defendant defrauded the Post-9/11 GI Bill and Veteran Employment Through Technology Education Courses programs. From 2017 through 2022, the school received more than $1.7 million in tuition payments from VA before being withdrawn from the programs as a result of the investigation. Sentencing is scheduled for March 2027.

Fiduciary and Caregiver Fraud

VA's Fiduciary Program was established to protect veterans and other beneficiaries who are unable to manage their financial affairs due to injury, disease, or age-related issues. Fiduciary fraud involves the theft of benefits by a VA-appointed fiduciary who is supposed to manage VA beneficiaries' finances in their best interests. VA caregiver fraud occurs when an individual misuses VA caregiver benefits, such as submitting false claims, billing for services not provided, or exploiting a veteran's benefits for personal gain.

- A former employee of a fiduciary law firm was indicted on charges of bank fraud, wire fraud, and aggravated identity theft. A VA OIG and U.S. Secret Service Money Laundering Task Force investigation resulted in charges alleging that, from February 2018 through December 2024, the defendant stole approximately $941,432 from 12 victims while serving as an account manager for the firm. The victims included eight disabled veterans, three beneficiaries of veterans, and the law firm itself. The defendant allegedly wrote checks to herself from victim accounts, forged the law firm owner's signature, and used the funds to support gambling activities. The defendant also allegedly paid personal credit card and cellular telephone bills directly from victim accounts.

- A former trustee of a veteran was indicted on charges of wire fraud. A VA OIG and VA Police investigation resulted in charges alleging that the defendant used her position of trust to transfer approximately $177,389 from a severely disabled veteran's bank account into her own account. The investigation further alleged that the defendant permitted her adult children and their families to move into the veteran's home while the veteran resided in a long-term care facility. The defendant allegedly used the veteran's funds to pay for the family's living expenses and to purchase a motorcycle, truck, and tools for a construction business.

- A VA OIG investigation resulted in charges alleging that, between June 2021 and May 2025, a nonveteran fraudulently obtained access to a 77-year-old veteran's VA disability benefits after securing power of attorney over the veteran's finances. The defendant allegedly spent more than $67,000 from the veteran's bank account, including funds used to purchase a new vehicle. The veteran's monthly VA compensation payments were the primary source of funds deposited into the account. The defendant pleaded guilty to petty theft and received a 12-month suspended sentence and was also ordered to pay $10,000 in restitution. Because the veteran died during the investigation and had no surviving family, the court ordered that the restitution be paid to the caregiver who handled the veteran's funeral arrangements.

- A veteran and his wife were indicted on charges of theft of government funds, wire fraud, conspiracy to commit wire fraud, conspiracy to defraud the government, and making false statements. A VA OIG and Social Security Administration (SSA) OIG investigation resulted in charges alleging that the defendants provided false information to VA about the veteran's disabilities, eligibility for compensation, and need for his wife to serve as his caregiver. They also allegedly provided false information to the SSA concerning his eligibility for social security disability insurance. The defendants claimed that the veteran depended on a wheelchair and was unable to feed, dress, or bathe himself or perform household and yard work. During the investigation, the veteran was allegedly observed walking and running without assistance, climbing ladders, shoveling snow, and performing other yard work. The veteran received more than $530,000 in VA compensation and more than $130,000 in social security disability insurance payments. His wife received more than $290,000 through VA's Caregiver Support Program.

Compensation Benefits Fraud

Compensation benefits fraud involves fraudulent claims for payment of VA disability benefits.

- A veteran was indicted on one count of theft of government property. Following a community tip concerning claims the veteran made about military service, a VA OIG and HSI investigation revealed that the defendant allegedly submitted an altered Certificate of Release or Discharge from Active Duty and used fabricated military awards to support false claims about injuries sustained during service. The veteran allegedly received approximately $612,271 in fraudulent VA benefits.

- A veteran was arrested after being indicted on one count of theft of government funds and six counts of aggravated identity theft. A VA OIG investigation revealed that the defendant allegedly submitted 27 fraudulent applications seeking to add dependent minor children to his VA compensation award.

- A veteran was indicted on charges of fraudulent acceptance of VA payments and Social Security fraud. A joint VA OIG and SSA OIG investigation revealed that, from March 2018 through March 2024, the defendant allegedly received VA individual unemployability benefits and social security disability payments while operating a trucking company that generated substantial revenue. The defendant allegedly made numerous false statements claiming he was disabled and unable to work. The total estimated government loss was approximately $361,154, including more than $144,000 in losses to VA.

- A veteran pleaded guilty to making false statements to a federal official. A VA OIG, SSA OIG, and Maine Warden Service investigation revealed that the defendant falsely represented to VA that he had used a wheelchair since 2004 and was unable to walk or stand. Investigators documented and recorded the defendant walking and standing without the assistance of any mobility devices on numerous occasions. The defendant faces up to five years' imprisonment, a fine of up to $250,000, and up to three years of supervised release.

VA Loan Guaranty Fraud

VA provides home loan guaranty benefits and other housing-related programs to help veterans, servicemembers, and eligible surviving spouses become homeowners.

- Two nonveterans were indicted on charges of fraud, making false statements, and conspiracy to make false statements to a mortgage lending business. A joint investigation with the Department of Housing and Urban Development OIG and Federal Housing Finance Agency OIG resulted in charges alleging that the defendants conspired to create and submit falsified W-2 forms, pay statements, employment verifications, and bank statements that enabled borrowers to qualify for mortgage loans. The alleged conspiracy affected approximately $7.3 million in loans, with the government paying approximately $493,499 in partial claims.

Dependency and Indemnity Compensation Fraud

VA Dependency and Indemnity Compensation fraud abuses the tax-free monetary benefit generally paid to eligible surviving spouses, children, or parents of service members or veterans whose deaths were related to military service.

- The surviving spouse of a deceased veteran was arrested on charges of theft of government money or property and making false statements to a federal agency. A VA OIG investigation resulted in charges alleging that the defendant continued receiving VA Dependency and Indemnity Compensation after remarrying in May 1991. The defendant allegedly submitted marital-status questionnaires falsely stating that she had not remarried. During an interview with VA OIG agents, the defendant allegedly admitted that she concealed her remarriage to continue receiving the benefit. The loss to VA was approximately $397,120.

Service-Disabled Veteran-Owned Small Business Fraud

Service-disabled veteran-owned small business (SDVOSB) fraud involves ineligible individuals

or companies improperly obtaining, performing, or benefiting from contracts reserved for small businesses owned and controlled by service-disabled veterans. Fraud schemes often involve misrepresenting ownership or control of a company or using an SDVOSB as a pass-through entity to secure government contracts for an otherwise ineligible business.

- Two SDVOSB owners pleaded guilty to conspiracy to commit wire fraud. A VA OIG investigation resulted in charges alleging that the defendants entered into an agreement to submit a proposal for an SDVOSB set-aside contract to construct a Cancer Infusion Therapy Center on the campus of a VA medical center and were subsequently awarded an $8.9 million contract. The investigation revealed that the defendants failed to disclose that the SDVOSB prime contractors served as pass-through entities for a large, non-veteran-owned construction company that managed nearly all work performed under the contract and received most of the contract payments. The partially completed facility was later demolished after an independent engineering assessment determined that the structure was deficient. The loss to VA was approximately $4.8 million.

Current ongoing investigations: 973

Current referrals: 653

Audits - Recently Issued Reports

Audit of the Medical Care Collections Fund for VA-Provided Care (October 26, 2026)

The VA OIG assessed whether VHA effectively identified opportunities to recover medical costs for veterans who received VA-provided treatment for non-service-connected conditions and who had third-party health insurance. VA's Medical Care Collections Fund holds the amounts VA recovers from veterans' third-party health insurers, and VA medical centers can access this fund to provide care and services to veterans. The audit team evaluated veterans' encounters with their VA medical providers from January 2024 through August 2025 that were coded as "reasons not billable" (RNB) for all medical facilities that used the Veterans Health Information Systems and Technology Architecture (VistA) electronic health records system.

The OIG identified a discrepancy between RNB encounters in VistA and another VA system, the Corporate Data Warehouse (CDW). Although VistA is the main source for CDW, about 985,000 RNB encounters with mandatory review requirements, valued at about $1.9 billion, were in CDW but were missing from VistA RNB reports. By reviewing encounters found in CDW that were not captured by the VistA RNB reports, VHA could collect up to $480 million in additional revenue for the fund that ultimately could be used for veterans' care. For calendar year 2024, about 53.8 percent of encounters identified in CDW with an RNB code were not on the VistA RNB reports, and about 57 percent of encounters from January through August 2025 were not on these reports.

Relying on incomplete RNB data created a risk that leaders and revenue operations staff did not have all the information necessary to make informed decisions. These risks and lack of information could include indications of fraud. The acting under secretary for health concurred with the OIG's three recommendations to improve VA's guidance and oversight to ensure all eligible costs are recovered from veterans' third-party insurance, which ultimately supports veterans' healthcare services.

Review of Accuracy of Claims Processors' Disability Evaluation Decisions for Painful Scars (October 21, 2026)

The VA OIG examined whether the Veterans Benefits Administration (VBA) accurately decided disability claims involving service-connected painful scars (meaning the scars were a disability incurred or aggravated during active military service). The report highlights deficiencies in claims processing that led to substantial overpayments and inconsistencies in benefit determinations.

The OIG evaluated two sets of statistical samples of painful scar–related decisions completed between June 1, 2024, and May 31, 2025 (decisions that granted service connection and those that increased disability rating evaluations for previously service-connected painful scars). Based on results from these samples, the team estimated that 38 percent of these decisions—about 17,900 cases—contained at least one error. At least 920 of these errors resulted in roughly $5.6 million in overpayments to veterans, costs that will continue to accrue until corrective actions are taken.

The OIG found that claims processors did not consistently follow regulatory requirements when determining whether scars were painful, relying on subjective reports of pain without objective evidence documented during the physical examination. Additionally, VBA systems did not consistently flag "pyramiding," the improper practice of evaluating the same disability manifestations under multiple diagnostic codes, leading to further inaccuracies and overpayments. Another cause of these errors occurred when previously service-connected scars that later became painful did not receive a separate evaluation under the painful scar diagnostic code. Incorrect application of law in evaluation of evidence can lead to missed potential fraudulent actions in both ratings and claims.

Following initial briefings with VBA in early 2026, the OIG team analyzed 30 additional decisions completed in January 2026 and identified a 43 percent error rate, confirming VBA continued to have a similar error rate. The OIG made three recommendations to help improve the accuracy of VBA's decisions for painful scars in compliance with the VA Schedule for Rating Disabilities under 38 C.F.R. § 4.118. VBA concurred with all three recommendations.

Current ongoing audits and reviews: 33

Current ongoing healthcare hotline inspections and national reviews: 23

Fraud Awareness Training

TOPIC	LOCATION	DATE
Fraud Awareness Brief	VA New York Harbor Health Care	10/21/2026