



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the
Inspector General

February 27, 2015

MEMORANDUM FOR KATHERINE ARCHULETA

Director

FROM: PATRICK E. McFARLAND
Inspector General

A handwritten signature in black ink that reads "Patrick E. McFarland".

SUBJECT: Summaries of Recent OIG Investigations

The purpose of this memorandum is to share with you the results of investigations recently conducted by the Office of the Inspector General (OIG). We routinely share with you the results of our oversight efforts of OPM programs and operations, including reports on internal employee misconduct investigations. The majority of our investigative workload involves crimes affecting the U.S. Office of Personnel Management (OPM) programs committed by external parties. Attached are examples of our investigations resolved during the period October 1, 2014 through December 31, 2014.

Please feel free to contact me if you have any questions, or you may have someone from your staff contact Assistant Inspector General for Investigations Michelle B. Schmitz, at (757) 595-3968.

Attachment

cc: Ann Marie Habershaw, Chief of Staff
Dennis D. Coleman, Chief Financial Officer
Angela Bailey, Chief Operating Officer
Mark Reinhold, Associate Director, Employee Services
Kenneth Zawodny, Jr., Associate Director, Retirement Services
Mark W. Lambert, Associate Director, Merit System Accountability & Compliance
John O'Brien, Director, Healthcare and Insurance
Alan Spielman, Senior Advisor, Healthcare and Insurance
Merton W. Miller, Associate Director, Federal Investigative Services
Joseph S. Kennedy, Associate Director, Human Resources Solutions
Kamala Vasagam, General Counsel
Dean S. Hunter, Director, Facilities, Security and Contracting

U.S. Office of Personnel Management
Office of the Inspector General
Office of Investigations

Quarterly Case Summaries
January 2015

Our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs. Provided below are summaries of some of the investigations resolved during the period October 1, 2014 through December 31, 2014.

Federal Employees Health Benefits Program (FEHBP) – False Claims

- I 2011 00051: OPM's Office of the Inspector General (OIG) received a referral from Blue Cross Blue Shield of Alabama alleging that DeRamus Hearing Aid Center submitted medical claims to a Federal health care program for services that were not medically necessary or not rendered. The owner of the center entered into a pretrial diversion agreement requiring her to pay \$325,000 in restitution to the FEHBP jointly with a coworker. In addition to the joint restitution payment, the coworker was sentenced in the U.S. District Court for the Middle District of Alabama to five years of probation and ordered to pay a \$100 court assessment fee.
- I 2011 00423: Relators filed a *qui tam* action in the U.S. District Court for the Eastern District of Pennsylvania alleging that Northampton Hospital Company LLC (Northampton) submitted claims to Medicare and other Federal health care programs for services that were not performed or were not medically necessary. An investigation identified evidence substantiating these allegations. Northampton entered into a civil settlement agreement that required them to pay the United States \$662,000. The FEHBP's portion of the total recovery was \$9,700.
- I-12-00037: The owner of a dental practice submitted false and fraudulent claims to Federal health care programs for services not rendered. On September 25, 2012, he was sentenced in the U.S. District Court for the Eastern District of Virginia to 46 months imprisonment followed by two years of supervised release. He was also fined \$250,000 and ordered to pay \$2,021,141.47 in restitution and an assessment fee of \$100. In a civil settlement agreement finalized on November 21, 2014, the FEHBP and the Federal Employees Dental and Vision Insurance Program (FEDVIP) recovered \$168,818.61. The settlement also required the owner of the dental practice to pay the FEHBP and FEDVIP loss investment income totaling \$26,634.21.
- I-12-00314: OPM's OIG received information from the Coventry Health Care Special Investigations Unit alleging that a former civilian employee of the Department of Defense submitted fraudulent claims using fabricated and forged supporting documentation in order to receive reimbursement from the plan for services not rendered nor received. As a Federal employee stationed overseas, he was a member of the Foreign

Service Benefit Plan (FSBP). Since he had served in the U.S. Army and resided abroad, he was also eligible for health care coverage from the U.S. Department of Veterans Affairs' Foreign Medical Program (VA-FMP). An investigation revealed that the former employee submitted fraudulent claims and invoices to the FSBP and to VA-FMP totaling more than \$2,500,000. On December 18, 2014, the employee was sentenced in the U.S. District Court for the District of Columbia to 40 months of incarceration, three years of probation and ordered to pay a \$2,205,032.02 in restitution and a \$100 assessment fee. The FEHBP's portion of the total recovery was \$943,519.46.

- I-12-00378: OPM's OIG received a referral from the OIG at the Department of Health and Human Services alleging that the owner of House Calls and Associates Inc. and Health Care in Your Home, Inc. had hired a physician who had been excluded from participating in all Federal health care programs. An investigation revealed that the physician had been convicted on May 30, 2008 of conspiracy to manufacture and distribute a controlled substance and had been excluded from all Federal health care programs for five years. Despite being debarred from participating in Federal health care programs, the physician continued to provide health care services and submit claims to Federal health care programs. The physician pled guilty to charges of making false statements related to health care matters and on November 25, 2014 was sentenced in the U.S. District Court for the Western District of Missouri to 32 months of incarceration, 36 months of probation and ordered to pay \$974,762 in restitution and \$900 in assessment fees. The FEHBP's portion of the total recovery was \$18,411.38.
- I-14-00298 and I-14-00299: The OPM OIG's investigation into health care fraud at Lord's Medical Rehab (I 2011 00668) led to the conviction of two individuals who acted as patient recruiters in the scheme to submit false health care claims. Both pled guilty to the charge of conspiracy to commit health care fraud and on December 10, 2014 were sentenced in the U.S. District Court for the Southern District of Florida. One recruiter was sentenced to 46 months of incarceration, 36 months of probation and ordered to pay \$1,473,504 in restitution and a \$100 assessment fee while the other was sentenced to 65 months of incarceration, 36 months of probation and ordered to pay \$1,473,504 in restitution and a \$100 assessment fee. The FEHBP's portion of the total recovery in both cases was \$190,306.43.

FEHBP – Suspension and Debarment

- During the period October 2014 through December 2014, the OIG's Office of Investigations referred 15 health care providers to the OIG debarment official to consider for debarment from participation in the FEHBP and one for suspension.

Retirement Program – Deceased Annuitant Fraud

- I-14-00201: The OIG at the Social Security Administration (SSA) notified OPM's OIG that the October 30, 1977 death of an annuitant had not been reported to SSA or OPM. As a result, OPM continued making annuity payments through November 2013, resulting in an overpayment of \$143,098.00. OPM recovered \$18,147.34 through the reclamation process with the deceased's financial institution, leaving a balance due of \$124,950.66. SSA paid \$206,679.80 in benefits after the annuitant's death. An investigation revealed that after the annuitant died, her daughter continued to receive and spend the annuity. The daughter pled guilty to the charge of theft of public money and on October 22, 2014

was sentenced in the U.S District Court for the District of Massachusetts to 18 months of home confinement, 10 hours per week of community service and 24 months of probation. She was also ordered to pay \$331,630.46 in restitution (\$124,950.66 to OPM and \$206,679.80 to SSA), a \$40,000 fine and a \$200 assessment fee.

Federal Investigative Services (FIS) – False Statements by Background Investigators

- I-14-00829: FIS's Integrity Assurance office notified the OIG that an OPM employee allegedly falsified reports while conducting background investigations. The employee pled guilty to making false statements and on December 17, 2014 was sentenced in the U.S. District Court for the District of Columbia to 48 months of probation, 100 hours of community service and ordered to pay \$10,000 in restitution and a \$100 court assessment fee.

FIS – Debarment of Background Investigators

- During the period October 2014 through December 2014, the OIG referred eight background investigators to OPM for debarment. The OIG referred these background investigators to OPM for debarment for falsifying work they conducted on background investigations. OPM proposed debarment of 16 background investigators during this time period.