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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

June 13, 2014

Sent via e-mail

This is in response to your Freedom of Information Act (FOIA) request of June 1, 2014, in which you asked for "copies of the OPM OIG Weekly Activity Reports for the time period January 1, 2011 through the present." By e-mail on June 13, I informed you that the Office of Personnel Management (OPM) Office of the Inspector General (OIG) has no formal, regular reports of this type, and that the only similar reports are quarterly summaries of recent OIG investigations the OIG provides to the Agency. You responded that these quarterly summaries would be of interest and would satisfy your request.

The earliest periodic investigative summary report within the time period you specified is dated November 8, 2011. Thereafter, reports were transmitted in February 2012, October 2012, February 2013, April 2013, August 2013, October 2013, January 2014, and May 2014. All nine of these reports are attached.

If you wish to appeal this response under the Freedom of Information Act, you should contact, in writing, J. David Cope, FOIA Appeals Officer, Room 6400, 1900 E Street, NW, Washington, DC 20415. Please include a copy of your initial request, a copy of this letter, and a statement explaining why you disagree with our decision. You should write "Freedom of Information Act Appeal" on the front of the envelope and on the first page of the appeal letter.

Sincerely,

Tanner Horton-Jones
Attorney-Advisor

Enclosures (9)

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

November 8, 2011

MEMORANDUM FOR JOHN BERRY
Director

FROM: for PATRICK E. MCFARLAND Robert E. Vint
Inspector General

SUBJECT: Summaries of Recent OIG Investigations

The purpose of this memorandum is to share with you the summary results of investigations recently conducted by my office.

You routinely receive copies of Office of the Inspector General (OIG) Final Audit Reports, and we furnish you or your staff with executive summary reports on internal employee misconduct investigations. However, the majority of our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs committed by external parties. In order to inform you of the impact that these crimes have on OPM programs, we periodically provide you with brief summaries of investigations that have been resolved and are a matter of public record.

In fiscal year (FY) 2011, 63 individuals were convicted of fraud against OPM programs, with investigative recoveries for OPM totaling $54,324,438. Examples of recent investigations include:

FEHBP/Pharmaceutical Fraud: GlaxoSmithKline reimbursed the Federal Employees Health Benefits Program (FEHBP) $37 million as part of a civil settlement to resolve allegations that GSK's Puerto Rico Manufacturing Plant (now closed) produced contaminated/adulterated drugs.

FEHBP/Off-Label Marketing: The FEHBP received $1,500,277 of a $35 million settlement with UCB, Inc (UCB). The settlement resolved criminal and civil liabilities arising from their illegal promotion of the anti-epileptic drug Keppra. UCB also pled guilty to a misdemeanor violation of misbranding. They promoted Keppra for uses not approved by the FDA, including the treatment of migraine, headache, psychiatric conditions, and pain.

FEHBP/Services Not Rendered: A physical therapist was sentenced to 12 months in prison and ordered to pay restitution of approximately $2.5 million, of which $186,738 belongs to the FEHBP. Our joint investigation with the Federal Bureau of Investigation (FBI), which included undercover visits to the physical therapist, confirmed that the physical therapist billed for services not rendered and for treatments given by unlicensed personnel.

FEHBP/Medical Identity Theft: Medical identity theft and organized crime involvement in health care fraud are affecting the FEHBP. For example, in July 2009, a physician called an FEHBP insurance carrier to report that she received $30,000 in checks for patients that were not hers. Our investigation proved that she was a victim of identity theft, along with four other physicians and numerous FEHBP beneficiaries. Using the stolen identities, the defendant billed the FEHBP for $500,000 in services not rendered and was paid $112,113.87. An arrest warrant was issued in February 2011, but the defendant fled, could not be located, and was placed in fugitive status.

In May 2011, he attempted to leave the Miami International Airport on a flight to Cuba. While at the ticket counter, the airline agent questioned him regarding his status as an alien in the U.S. He panicked and ran, leaving his passport and luggage at the ticket counter. Later that day, he turned himself in at a local police station, where our investigators interviewed him. He admitted that he was fleeing the U.S. with no intention of returning. In September 2011, he was sentenced to serve 18 months in prison, followed by 3 years of supervised release, and he was ordered to pay $112,113 in restitution to OPM.

We have determined that this defendant was part of a larger criminal organization, and we are currently working with the FBI on related investigations of his suspected co-conspirators. Part of our goal in the ongoing investigations is to identify where this criminal organization has been purchasing the identities of doctors and patients.

FEHBP/Enrollee Fraud: A Federal retiree submitted claims for treatment at a hospital in Cairo, Egypt. The hospital did not exist and the retiree was in the U.S. on the claimed treatment dates. He was sentenced to 23 months in prison, 2 years probation, and full restitution of $253,727 to OPM plus a $10,000 fine.

FEHBP/Exclusion from the Anti-Kickback Act: In May 2011, pharmaceutical manufacturer Serono Laboratories, Inc. (Serono) entered into a settlement agreement and agreed to pay the Government $44.3 million to resolve allegations that Serono paid health care providers to induce them to promote or prescribe the drug Rebif. Often, the FEHBP is left out of this type of settlement because of its exclusion from the Anti-Kickback Statute (Reference 42 USC Sec. 1320a-7b). However, in this case the U.S. Attorney's Office was able to negotiate single common law damages for OPM in the amount of $825,000.

Other health care programs were not limited to single damages. One of my office's legislative initiatives for FY 2012 is to remove the FEHBP's exclusion from the Anti-Kickback Act. While the FEHBP's financial losses are significant, that is not the most important issue in this type of case: patient care is compromised when doctors are bribed to prescribe certain treatment, and Federal employees deserve medical care untainted by kickbacks.

Retirement/Embezzlement: An OPM employee (GS-14, 35-Year Career), was convicted of embezzling $40,388.90 from the OPM Retirement Trust Funds. On June 6, 2011, he was sentenced to 6 months of home detention, 100 hours of community service, 60 months of probation, and was ordered to pay $40,388.90 in restitution to OPM.

Retirement/Improper Payments & Elder Abuse: In FY 2011, our investigation recovered approximately $5.5 million in fraudulently obtained improper retirement payments. While many of those were deceased annuitant cases, we also found instances of elder abuse.

For example, we found a retired Federal employee and military veteran who was evicted from a series of nursing homes for non-payment, while his son was stealing $47,409 in OPM retirement and Veteran's Administration (VA) benefits from their joint bank account. The annuitant lived in four different nursing homes in less than two years. After each eviction for non-payment, his son simply dropped him off at the next nursing home. His OPM retirement and VA benefits would have covered the nursing home bills. However, the defendant wrote only two checks for the nursing home care; he stopped payment on one and wrote the other on a closed checking account.

After he pled guilty to theft, the defendant was sentenced to 19 months of probation and restitution of $47, 409. OPM received $36,868, and the VA received the remainder.

FIS/Falsification: A former OPM background investigator falsified approximately 34 background investigation reports, by claiming to conduct interviews and review records when he did not. He was sentenced in June 2011 to 90 days of incarceration with 3 years of supervised release, 180 days of home detention, 400 hours of community service and was ordered to pay $106,711 in restitution to OPM for the costs to reopen and rework the background investigations.

Another OPM background investigator falsified over a dozen background investigation reports. She was sentenced in July 2011 to 4 months incarceration, 150 days home detention, 30 months of supervised release, 50 hours of community service, and $73,294 in restitution to OPM.

FIS/Stolen Valor Awards: The VA terminated a VA police officer in Texas after he lied during his background investigation. One of his lies was that he was serving overseas for the military, when in fact he was in a military prison for 32 months. This incarceration was a felony, and should have prevented him from carrying a weapon or being employed as a Federal police officer. He also lied to the VA, DOD and OPM about obtaining two Purple Hearts and a Silver Star in combat. We tracked him down and arrested him in Haywood City, Missouri, where he had obtained a job as the town's only police officer.

On July 26, 2011, the defendant was sentenced to 14 months incarceration and 36 months supervised release in the U.S. District Court for the Eastern District of Texas.

If you have any questions, please do not hesitate to contact me, at 606-1200, or someone from your staff may contact Michelle B. Schmitz, Assistant Inspector for Investigations, at 757-595-3968.

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

February 1, 2012

MEMORANDUM FOR JOHN BERRY
Director

FROM: PATRICK E. MCFARLAND Patrick E McFarland
Inspector General

SUBJECT: Summaries of Recent OIG Investigations

The purpose of this memorandum is to share with you the results of investigations recently conducted by my office.

You routinely receive copies of Office of the Inspector General (OIG) Final Audit Reports, and we furnish you or your staff with executive summary reports on internal employee misconduct investigations. However, the majority of our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs committed by external parties. In order to inform you of the impact these crimes have on OPM programs, periodically we provide you with brief summaries of investigations that have been resolved and are a matter of public record.

Examples of our investigations resolved during the first quarter of Fiscal Year 2012 include:

FEHBP/Off-Label Marketing: Off-label marketing occurs when a drug manufacturer markets or promotes a drug for use(s) not specified in the Food and Drug Administration (FDA) approved product label. As the result of a recent off-label marketing investigation, the Federal Employees Health Benefits Program (FEHBP) received $51 million as the result of a settlement with Merck. Merck paid a total of $950 million to resolve criminal and civil charges related to the illegal marketing of Vioxx, the improper promotion of Vioxx for the treatment of rheumatoid arthritis, and misleading statements regarding the safety of Vioxx.

FEHBP/Drug Diversion: The Federal Bureau of Investigation (FBI) contacted us about a National Institutes of Health (NIH) employee who was illegally selling prescription Schedule II drugs, a category of drugs considered to have strong potential for abuse or addiction but have a legitimate medical use. He sold the pain reliever drugs Roxicet, Methadone, and Dilaudid to FBI undercover operatives. We determined that he bought the drugs with his FEHBP pharmacy benefits. The FEHBP paid prescription claims totaling approximately $23,250. In November 2011, this drug dealer was sentenced to two years' probation, a $1,000 fine, forfeiture of $1,140 (the amount he was paid during the undercover drug buys), and a $100 special assessment. FEHBP restitution was not included in the sentence imposed.

FEHBP/Medical Identity Theft: CVS Caremark notified us of an investigation of counterfeit prescriptions. We investigated jointly with the Montevallo, Alabama Police Department and the United States Secret Service and determined that the identities and FEHBP insurance information of over 60 U.S. Postal Service employees were stolen.

A ring of drug dealers passed counterfeit prescriptions using these stolen identities in Alabama, Mississippi, Tennessee, Georgia, and California. They used the BlueCross BlueShield (BCBS), Federal Employees Program retail pharmacy plan to pay for the prescriptions for drugs, such as Oxycontin, a narcotic pain killer, and Soma, a muscle relaxant. Because the FEHBP paid $72,746 in prescription costs, the drug dealers had an out of pocket (i.e., co-pay) cost of about $21,000 to buy the drugs. They sold the drugs on the street, with an estimated street value of over $750,000. One of the members of this organized ring of drug dealers was sentenced in October 2011. He received 36 months' probation, 50 hours community services, and a $100 assessment. FEHBP restitution was not included in the sentence imposed.

FEHBP/Services Not Rendered: The New Jersey Office of the Attorney General notified us that they were investigating a health care provider for Medicaid fraud, and invited us to join the investigation. The provider performed physical therapy, but billed for surgery to include billings to the the FEHBP. The provider's office manager confessed to billing for services not rendered, implicating herself and the doctor.

Although the BCBS Association was aware of our investigation, the BCBS of New Jersey privately settled the FEHBP claims without consulting our office after the indictment and while the criminal case was pending trial. As a result, the prosecutor dropped the FEHBP claims from the criminal case. In November 2011, the office manager was sentenced to three years' probation and 200 hours of community service. In a parallel civil proceeding, the physician and his corporation were ordered to pay $3 million in restitution to Medicare and Medicaid and a $50,000 fine. (Note: In June 2011, we issued a Management Advisory to the OPM Contract Officer to inform her of BCBS of New Jersey's actions in this case).

FEHBP/Improper Billing: A Nevada physician allegedly billed as if he personally performed physical therapy, when the actual services were massages provided by a massage therapist. He also over-utilized urine drug screens. The FEHBP received $60,097 of a $1 million civil settlement.

FEHBP/Improper Billing: A *qui tam* relator or whistleblower alleged that the LHC Group (LHC), which operates nursing homes, billed Federal health programs for services without a valid plan of care; upcoded diagnoses codes; billed for services not rendered, billed for services without physician orders; billed for more services than ordered by a physician; billed for services without the requisite documentation supporting the performance or medical necessity of services; billed for services not medically necessary; billed for more time than actually provided; and, billed for services rendered to patients who were not homebound. After the Health and Human Services (HHS) OIG declined the case, the U.S. Attorney's Office asked us to take the lead in the investigation.

We issued an OIG administrative subpoena to the LHC, who challenged the Inspector General's authority and filed a motion to quash the subpoena. The Federal District Court in the Western District of Louisiana ruled in favor of the OPM OIG and the subpoenaed documents were obtained. Upon review, we found that the nursing homes billed the FEHBP, Medicare, and Medicaid for services not supported by documentation. The LHC agreed to a $65 million civil settlement with the Government. The FEHBP's share of the settlement was $127,892.

FIS/Falsification: In October 2011, another former OPM background investigator was convicted of falsifying background investigation reports. Our investigation identified 90 instances of "ghost writing" (i.e., reporting interviews that did not occur). He was sentenced to three years' supervised release and ordered to pay $131,101 in restitution to OPM.

Retirement/Deceased Annuitant: In October 2011, a woman in Oregon was sentenced to serve 18 months in prison and pay $848,334 in restitution to OPM, the Social Security Administration (SSA), and the Department of Defense, after she stole her father's retirement benefits. OPM's share of the restitution is $302,632.30.

The SSA OIG discovered this case during a review of beneficiaries over 100 years old, and requested our help locating the beneficiary. Our joint investigation found that the OPM annuitant disappeared in August 1984 and is presumed deceased. After he disappeared, the defendant started withdrawing her father's benefits from his bank account. The Department of Defense OIG polygraphed the defendant in an attempt to determine if she was involved in the disappearance of her father, and she passed the polygraph.

Retirement/Deceased Annuitant: In April 2007, through a Social Security Administration's (SSA) Death Master File match, OPM learned that an annuitant died in June 1996. The annuitant's boyfriend was a joint bank account holder and executor of the annuitant's estate. He withdrew $90,095 in benefits issued to the deceased annuitant. Criminal prosecution was declined, but the U.S. Attorney's Office agreed to pursue the case civilly. Pursuant to a Consent Judgment in October 2011, a United States District Court Judge ordered the defendant to pay $50 per month toward his debt of $90,095 to OPM until the debt is paid.

Retirement/Deceased Annuitant: The defendant forged two OPM Address Verification Letters and stole $275,218 in retirement benefits issued to the deceased annuitant, his aunt, who died in January 1997. The funds were deposited into a joint bank account that his aunt shared with his father (also deceased). The nephew pled guilty and in November 2011, he was sentenced to three years' probation, four months home confinement, $118,599 in restitution to OPM, and a $100 special assessment.

Retirement/Deceased Annuitant: An SSA Death Master File match revealed that an annuitant died in April 1999. OPM issued $200,120 in annuity benefits after his death. The defendant forged the annuitant's signature on documents sent to OPM in order to continue receiving annuity payments. The defendant confessed, pled guilty, and in October 2011 he was sentenced to three years' supervised release, 12 months home detention, and ordered $200,120 in restitution to OPM, and a $300 special assessment.

Retirement/Deceased Annuitant: In October 2011, an Ohio woman was sentenced to five years' probation, restitution of $151,721 to OPM, and a special assessment of $100. After her mother died in 1992, she forged her mother's signature and cashed annuity checks issued by OPM.

Retirement/Deceased Annuitant: OPM issued $90,426 in annuity benefits after the 2005 death of an annuitant. After reclamation, a balance due of $38,190 remained. Pursuant to a civil settlement agreement, the court ordered the annuitant's son and her estate to make a lump sum payment of $38,190 to OPM.

If you have any questions please do not hesitate to contact me, at 606-1200, or someone from your staff may contact Michelle B. Schmitz, Assistant Inspector for Investigations, at 757-595-3968.

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

October 3, 2012

MEMORANDUM FOR JOHN BERRY
Director

FROM: PATRICK E. MCFARLAND
Inspector General

SUBJECT; Summaries of Recent OIG Investigations

The purpose of this memorandum is to share with you the results of investigations recently conducted by my office.

You routinely receive copies of the Office of Inspector General (OIG) Final Audit Reports, and we furnish you or your staff with executive summary reports on internal employee misconduct investigations. However, the majority of our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs committed by external parties. In order to inform you of the impact these crimes have on OPM programs, periodically we provide you with brief summaries of investigations that have been resolved and are a matter of public record.

Examples of our investigations resolved during the period February 1, 2012 through August 31, 2012 include:

Federal Employees Health Benefits Program (FEHBP) - Failure to Report Safety Data: Pharmaceutical company GlaxoSmithKline (GSK) pleaded guilty to failing to report to the Food and Drug Administration safety data regarding the diabetes drug Avandia. GSK paid a criminal fine in the amount of $242,612,800, from which the FEHBP recovered $52,257,248.02.

FEHBP - Off-Label Marketing of Two Drugs: GlaxoSmithKline (GSK) unlawfully promoted Paxil for treating depression in patients under age 18, and GSK pleaded guilty to distribution of a misbranded drug due to false and misleading labeling. In addition, GSK promoted Wellbutrin for uses not specified in the FDA approved product label and pleaded guilty to distribution of a misbranded drug due to inadequate directions for use. The FEHBP's gross recovery for these two offenses was $55,340,792.98. This case and the GSK case listed above were resolved by the

Department of Justice simultaneously, resulting in a $3 billion settlement to the Government, the largest health care fraud settlement in U.S. history.

FEHBP - Improper Billing: A *qui tam* relator, or whistleblower, alleged that NextCare Urgent Care engaged in health care fraud against government health care programs (Medicare, Medicaid, TRICARE, and FEHBP) by charging for medically unnecessary tests and assigning a higher reimbursing Current Procedural Terminology (CPT) code than was justified. NextCare entered into a Settlement Agreement, agreeing to pay $10,000,000 to the Government, as well as relator expenses and attorney's fees. The FEHBP received $1,427,849.60 of the settlement.

FEHBP - Services not Rendered: The owner of VRC Group Services Inc., a group consisting of two physicians, submitted false and fraudulent claims for services not rendered. The owner was sentenced to 30 months imprisonment followed by three years of supervised probation and ordered to pay the FEHBP $184,745.50 in restitution and to pay a $500.00 assessment fee.

FEHBP - Off-Label Marketing: Merck Pharmaceutical illegally marketed the drug Vioxx by promoting it for treatment of rheumatoid arthritis and making misleading statements regarding the safety of Vioxx. Merck agreed to pay the Government $950,000,000 to resolve criminal and civil charges, and the FEHBP will receive a gross total of $52,185,014.59.

Federal Investigative Services - Falsification: A former OPM background investigator was found guilty of falsifying that she had interviewed sources or reviewed records regarding the subjects of background investigations. False representations were identified in more than twenty of her Reports of Investigation. The estimated cost to reopen and rework these falsified background investigations was $70,899. The former background investigator was sentenced to 90 days of incarceration and 200 hours of community service and was ordered to pay OPM $70,899 in restitution and to pay a $100 special assessment fee.

Retirement - Deceased Annuitant Fraud: OPM was not informed of the March 1983 death of an annuitant, and therefore OPM continued making monthly annuity payments. In addition, four OPM Address Verification Letters addressed to the deceased after his death were returned to OPM bearing the deceased's signature. The deceased's son pleaded guilty to fraudulently collecting his father's retirement benefits through November 2009 and was sentenced to 44 months in prison, followed by three years of supervised release, and was ordered to pay OPM $1,246,362.22 in restitution. This is our largest retirement fraud recovery to date.

Retirement - Deceased Annuitant Fraud: OPM's Retirement Inspections Branch (RIB) referred a case to the OIG where OPM was not informed of the May 21, 1989 death of an annuitant, and therefore OPM continued mailing hard copy annuity checks to the deceased annuitant until November 2009, resulting in an overpayment of $526,697.90. In addition, three

OPM Address Verification Letters mailed by RIB and addressed to the deceased after his death were returned to OPM bearing the deceased's signature. The deceased's daughter pleaded guilty to the violations and was sentenced to 36 months of probation, 24 months home detention, and ordered to pay OPM $527,000 in restitution, the IRS $13,289 in restitution, and a $200 special assessment fee.

Retirement - Deceased Annuitant Fraud: OPM's Retirement Inspections Branch referred a case to the OIG where OPM was not informed of the February 28, 1986 death of an annuitant, and therefore OPM continued making monthly annuity payments directly to the deceased's bank account until January 1, 2007, resulting in an overpayment of $406,026.08. The deceased's step-son forged his deceased step-father's signature on three official Federal documents and returned them to OPM to conceal the retiree's death and to continue the monthly annuity payments. The deceased's step-son admitted to forging the annuitant's name and to the theft of the annuity payments. Sentencing and restitution have not yet been decided in this case.

Retirement - Deceased Annuitant Fraud: OPM was not informed of the July 1, 1991 death of an annuitant, and therefore OPM continued making monthly annuity payments into the annuitant's bank account until November 2009, resulting in an overpayment of $306,809. Subpoenaed bank records determined that numerous checks were written by the son on the deceased's account, all bearing the endorsement signature of the deceased. In addition, five OPM Address Verification Letters addressed to the deceased after her death were returned to OPM bearing the deceased's signature. The son was sentenced to 21 months in prison, followed by three years of supervised release, and ordered to pay OPM $306,809.12 in restitution and a $100.00 special assessment fee.

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.

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

February 5, 2013

MEMORANDUM FOR JOHN BERRY
Director

FROM: for PATRICK E. MCFARLAND Norbert E. Vint
Inspector General

SUBJECT: Summaries of Recent OIG Investigations

The purpose of this memorandum is to share with you the results of investigations recently conducted by my office.

You routinely receive copies of the Office of Inspector General (OIG) Final Audit Reports, and we furnish you or your staff with executive summary reports on internal employee misconduct investigations. However, the majority of our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs committed by external parties. In order to inform you of the impact these crimes have on OPM programs, periodically we provide you with brief summaries of investigations that have been resolved and are a matter of public record.

Examples of our investigations resolved during the period September 1, 2012 through December 31, 2012 include:

Federal Employees Health Benefits Program (FEHBP) – Kickbacks to Health Care Providers: Blackstone Medical, Inc., a manufacturer of spinal implants and spinal surgery products, provided kickbacks to health care providers in a manner intended to induce the promotion, purchase, and utilization of their products. As a result of their conduct, Blackstone agreed to pay $30,000,000, from which the Federal Employees Health Benefits Program (FEHBP) recovered $826,959.74. The FEHBP is normally excluded from kickback settlements due to its exclusion from the Anti-Kickback Act. However, in this case, the U.S. Attorney's Office for the District of Massachusetts pursued the FEHBP's losses under a theory that claims tainted by kickbacks are false and violate the Federal False Claims Act.

FEHBP – Off-Label Marketing: Abbott Laboratories pleaded guilty to illegally marketing the drug Depakote for uses that were not approved by the Food and Drug Administration as safe and effective. Abbott was sentenced to five years of probation, assessed a $500,000,000 fine, a $1,500,000 penalty, a $125 assessment fee, and ordered to forfeit $198,500,000. This criminal conviction and fine followed last May's civil settlement, when $4.8 million was recovered for the FEHBP.

FEHBP – Off-Label Marketing and Kickbacks: Amgen Pharmaceutical Inc. agreed to pay $762,000,000 to resolve civil and criminal liability resulting from its promotion of drugs (Aranesp, Epogen and Enbrel) for unapproved purposes, false price reporting practices, and for offering illegal kickbacks to health care providers. As part of the civil settlement, Amgen agreed to pay $612,000,000 to resolve false claims that it caused. The FEHBP recovered $5,336,405.76. In the criminal plea agreement, Amgen was ordered to pay a $136,000,000 fine, a $125 assessment, and to forfeit $14,000,000.

In a separate civil settlement, International Nephrology Network agreed to pay $15,000,000 to resolve civil liability arising from its role in the illegal marketing of the drug Aranesp. The FEHBP recovered $168,524.97.

FEHBP – Off-Label Marketing and Kickbacks: Boehringer Ingelheim Pharmaceuticals, Inc. agreed to pay $95,000,000 for unlawful marketing of pharmaceutical products (Aggrenox, Combivent and Micardis) and for paying kickbacks to the health care providers who prescribed them. The FEHBP recovered $4,621,373.91.

FEHBP – Improper Billing: Sheridan Healthcare Inc. submitted claims to the FEHBP and other Federal health care programs for newborn hearing screenings performed at hospitals, when this service was included in the hospitals' charges for labor and delivery. This 'unbundling' of services resulted in overcharges to the Government. Sheridan agreed to pay $1,572,750.16 for improperly billing insurance companies. The FEHBP recovered $452,268.94. This case was developed proactively by a joint OIG/FEHBP Carrier Working Group.

FEHBP and Federal Employees Dental and Vision Insurance Program (FEDVIP) – Services Not Rendered: The owner of a dental practice submitted false and fraudulent claims to Federal health care programs for services not rendered, including the following dental procedures: Incision and Drainage, Emergency Palliative Treatment, and Excision of Hyperplastic Tissue. The owner was sentenced to 46 months imprisonment followed by two years of supervised release. He was also fined $250,000, ordered to pay $2,021,141.47 in restitution, and an assessment fee of $100. The FEHBP and FEDVIP recovered $161,076.89.

Combined Federal Campaign – Embezzlement: The founder of Save a Torah, a charity participating in the Combined Federal Campaign, pleaded guilty to defrauding the charity. He solicited contributions to the charity by telling fabricated tales of "rescuing" Torahs lost or hidden during the Holocaust, when he was actually purchasing them from bookstores or synagogues; he submitted false travel invoices for "rescue" trips; and he embezzled contributors' donations to the charity by diverting them into his personal bank accounts. He was sentenced to 51 months imprisonment and three years of supervised release. He was also ordered to perform 100 hours of community service and to pay $990,366.05 in restitution and a $200 assessment.

Retirement – Deceased Annuitant Fraud: OPM was not informed of the April 6, 1986 death of an annuitant, and therefore continued making monthly annuity payments through May 2007, resulting in an overpayment of $161,757.24. The annuitant's daughter confessed to concealing her mother's death and to using the Civil Service Retirement System annuity and Veteran's Administration benefits for her own personal use. The daughter was sentenced to 33 months in prison, followed by three years of supervised release, and was ordered to pay $222,641.24 in restitution and a $1,300 assessment. OPM recovered $161,757.24.

Retirement – Deceased Annuitant Fraud: The Death Master File project conducted by OPM's Retirement Inspections Branch (RIB) revealed that a survivor annuitant's August 3, 1992 death had not been reported to OPM. OPM continued making monthly annuity payments until October 2009, resulting in an overpayment of $116,911.11. Three OPM Address Verification Letters mailed by RIB and addressed to the deceased after her death were returned to OPM bearing the deceased's signature. The deceased's daughter pleaded guilty to forging the signatures and to using the money to pay for her living expenses and was sentenced to six months of home confinement, three years of supervised release, and ordered to pay OPM $116,911.11 in restitution and a $25 assessment fee.

Retirement – Deceased Annuitant Fraud: OPM was not informed of the April 1, 2002 death of an annuitant, and therefore continued making monthly annuity payments directly to the deceased's bank account through August 2007, resulting in an overpayment of $98,044. The defendant stated that she befriended the annuitant while working at the nursing home where he resided. She stated that the annuitant gave her his ATM card and PIN to purchase items for him. The defendant withdrew funds from the annuitant's bank account after he died. She was sentenced to five months in jail, three years of supervised release, and ordered to pay $98,044 restitution to OPM and a $100 assessment.

Please feel free to contact me if you have any questions, at (202) 606-1200, or you may have someone from your staff contact Assistant Inspector General for Investigations Michelle B. Schmitz, at (757) 595-3968.

cc:
Angela Bailey, Associate Director, Employee Services
Kenneth Zawodny, Jr., Associate Director, Retirement Services
Mark Lambert, Associate Director, Merit System Audit & Compliance
John O'Brien, Director, Healthcare and Insurance
Merton Miller, Associate Director, Federal Investigative Service
Nancy Kichak, Associate Director, Human Resources Solutions
Elaine Kaplan, General Counsel

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

April 16, 2013

MEMORANDUM FOR ELAINE KAPLAN
Acting Director

FROM: PATRICK E. MCFARLAND
Inspector General

SUBJECT: Summaries of Recent OIG Investigations

The purpose of this memorandum is to share with you the results of investigations recently conducted by my office.

You routinely receive copies of Office of the Inspector General (OIG) Final Audit Reports, and we also furnish you or your staff with executive summary reports on internal employee misconduct investigations. However, the majority of our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs committed by external parties. In order to inform you of the impact these crimes have on OPM programs, periodically we provide you with brief summaries of investigations that have been resolved and are a matter of public record.

Examples of our investigations resolved during the period January 1, 2013 through March 31, 2013 include:

Federal Employees Health Benefits Program (FEHBP) – Off-Label Marketing: A *qui tam* relator, or whistleblower, alleged that Par Pharmaceutical Companies Inc. (Par) illegally marketed the drug Megace for uses that were not approved by the Food and Drug Administration (FDA). Par pled guilty to the allegations. The civil settlement agreement reached requires Par to pay $22,500,000 to the United States and the Medicaid Participating States. The FEHBP recovered $411,257.69. In the criminal plea agreement, Par was sentenced to pay an $18,000,000 fine, $4,500,000 in criminal forfeiture, and a $125 assessment fee.

FEHBP – Improper Billing: The provider Open MRI agreed to pay the United States $1,273,126 to resolve civil liability for knowingly submitting, or causing to be submitted, claims to the Federal health care programs for diagnostic imaging services without the required level of physician supervision. The FEHBP recovered $41,652.11.

FEHBP – False Claims: The St. Joseph's Medical Center reached a settlement with the United States to pay $4,900,704 in connection with its submission of false claims to Medicare, Medicaid, and other Federal healthcare programs. St. Joseph's Medical Center engaged in a practice of admitting patients when the patient's medical condition did not warrant admission. The FEHBP recovered $107,709.86.

FEHBP – False Claims: The provider Physician Group Associates self-disclosed that one of their employees administered various drugs to his patients that were not authorized for distribution in the United States because they had been purchased from a Canadian Pharmacy. This violation of FDA rules resulted in false claims violations. Physician Group Associates agreed to pay the United States $134,143.51 to resolve the matter. The FEHBP recovered $4,211.23.

Retirement Services– Deceased Annuitant Fraud: OPM was not notified of the November 24, 1985 death of a survivor annuitant, and therefore continued making annuity payments through February 2007, resulting in an overpayment of $191,303.02. The annuitant's son confessed to concealing his mother's death and to withdrawing funds from the joint bank account that he had with his mother. The son was sentenced to six months in prison, followed by six months of home detention, and three years of probation. He was also ordered to pay OPM $191,303.02 in restitution and a $100 assessment fee.

Federal Investigative Services - Falsification: A former OPM background investigator pled guilty to a charge of falsifying work on background investigations of Federal employees. He was sentenced to three months in jail followed by one year of probation, including six months of home detention. He falsely reported that he had interviewed sources or reviewed records regarding the subjects of background investigations in more than 12 of his Reports of Investigation. The estimated cost to reopen and rework these falsified background investigations was $38,238. The former background investigator was ordered to pay OPM $38,238 in restitution and a $100 assessment fee.

Federal Investigative Services - Falsification: A former OPM background investigator pled guilty to a charge of falsifying work on background investigations of Federal employees. She falsely reported that she had interviewed sources or reviewed records regarding the subjects of background investigations in more than 35 of her Reports of Investigation. The estimated cost to reopen and rework these falsified background investigations was $109,000. The former background investigator was sentenced to six months of home detention, 36 months of probation, and 150 hours of community service. She was also ordered to pay OPM $109,000 in restitution and to pay a $100 assessment fee.

Please feel free to contact me if you have any questions, at (202) 606-1200, or you may have someone from your staff contact Assistant Inspector General for Investigations Michelle B. Schmitz at (757) 595-3968.

cc: Liz Montoya, Chief of Staff
Angela Bailey, Associate Director, Employee Services
Kenneth Zawodny, Jr., Associate Director, Retirement Services
Mark Lambert, Associate Director, Merit System Audit & Compliance
John O'Brien, Director, Healthcare and Insurance
Merton Miller, Associate Director, Federal Investigative Service
Joseph Kennedy, Associate Director, Human Resources Solutions

Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

August 30, 2013

MEMORANDUM FOR ELAINE KAPLAN
Acting Director

FROM: PATRICK E. MCFARLAND
Inspector General

SUBJECT: Summaries of Recent OIG Investigations

As discussed at our recent monthly meeting, the purpose of this memorandum is to share with you the results of investigations recently conducted by my office.

You routinely receive copies of the Office of Inspector General Final Audit Reports, and we furnish you or your staff with executive summary reports on internal employee misconduct investigations. However, the majority of our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs committed by external parties. In order to inform you of the impact these crimes have on OPM programs, periodically we provide brief summaries of investigations that have been resolved and are a matter of public record.

Examples of our investigations resolved during the period April 1, 2013 through June 30, 2013 are attached..

Please note that during this same time period, we submitted seven debarment referrals to OPM. We recommended the debarment of five former contract background investigators criminally convicted of falsifying their Reports of Investigation, one former OPM employee criminally convicted of falsifying background investigations, and one former contract background investigator who improperly used his OPM-issued credentials in an attempt to justify carrying a personally owned firearm on school property (for which he was criminally convicted). OPM action on these debarment referrals is pending.

Please feel free to contact me if you have any questions, at 606-1200, or you may have someone from your staff contact Assistant Inspector General for Investigations Michelle B. Schmitz, at (757) 595-3968.

Attachment

cc: Liz Montoya, Chief of Staff
Angela Bailey, Associate Director, Employee Services
Kenneth Zawodny, Jr., Associate Director, Retirement Services
Mark Lambert, Associate Director, Merit System Audit & Compliance
John O'Brien, Director, Healthcare and Insurance
Merton Miller, Associate Director, Federal Investigative Service
Joseph Kennedy, Associate Director, Human Resources Solutions
Sharon McGowan, Acting General Counsel

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

Quarterly Case Summaries
August 2013

Our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs. In order to inform the public of the impact of these crimes, we periodically provide brief summaries of significant investigations that have been resolved. Examples of investigations resolved during the period **April 1, 2013 through June 30, 2013** include:

Federal Employees Health Benefits Program (FEHBP) – False Claims: A *qui tam* relator, or whistleblower, alleged that Ranbaxy Inc. and subsidiaries (Ranbaxy), a pharmaceutical manufacturer based in India, engaged in illegal conduct concerning the manufacture, distribution, sale, and reporting of drugs, resulting in false claims being submitted to Federal health care programs. Ranbaxy reached a civil settlement agreement with the United States Department of Justice on May 9, 2013, which requires Ranbaxy to pay $350,000,000 to the United States and the Medicaid Participating States. The FEHBP recovered $20,432,587.49.

FEHBP – Off-Label Promotion and Drug Switching: A *qui tam* relator filed suit in the District of South Carolina, alleging that the biopharmaceutical company Amgen provided kickbacks to long term care facilities in exchange for their promotion of the drug Aranesp to treat anemia. Investigation verified that Amgen encouraged the facilities to identify patients who were taking a competitor drug and switch them to Aranesp, and also to recommend Aranesp to patients who had not been diagnosed with anemia. These actions resulted in the submission of false claims to Federal health care programs.

In a settlement dated April 2, 2013, Amgen agreed to pay $24,900,000 to the United States and the Medicaid Participating States. The FEHBP recovered $111,240.23.[1]

FEHBP – Improper Billing: Pediatrix Medical Group, the largest provider of newborn hearing screenings in the U.S., submitted claims to the FEHBP and other Federal health care programs

[1] This settlement with Amgen is separate from the December 2012 global settlement reported in our Semi-Annual Report to Congress for the time period October 1, 2012 to March 31, 2013. Although both cases pertained to Amgen's sale of the drug Aranesp, the allegations were different.

for newborn hearing screenings performed at hospitals, when this service was included in the hospitals' charges for labor and delivery. This "unbundling" of services resulted in overcharges to the Government. This case was identified through the proactive efforts of a working group comprised of personnel from the OPM Office of the Inspector General (OIG) and the FEHBP Carrier Special Investigations Units, including the BlueCross BlueShield Federal Employees Program Special Investigations Unit. The allegations were jointly investigated by the OPM OIG, the Federal Bureau of Investigation, and the Defense Criminal Investigative Service.

In an April 11, 2013 settlement agreement negotiated by the U.S. Attorney's Office for the Northern District of Texas, Pediatrix agreed to pay $1,008,889 for improperly billing insurance companies. The FEHBP recovered $978,622.33.

FEHBP – False Claims: The Blue Cross Blue Shield Association informed the OPM OIG that a durable medical equipment supplier had submitted suspicious claims for custom-fit orthotic shoe devices to the FEHBP through Blue Cross Blue Shield of South Carolina. A Certified Pedorthist, a medical professional who specializes in the use of footwear and supportive devices to address conditions which affect the feet and lower limbs, was indicted for submitting materially false and misleading insurance claims. The defendant submitted fabricated Certificates of Medical Necessity with forged provider signatures in order for the claims to process and to receive payment.

On May 2, 2013, he was sentenced to probation for a term of three years, with participation in a home detention program for six months. The defendant was also ordered to pay a $100.00 special assessment fee and restitution to the FEHBP in the amount of $10,065.

FEHBP – Improper Billing: A *qui tam* relator alleged that Sound Inpatient Physicians, Inc. (SIP), which provides inpatient hospital care through staff hospitalists in the Pacific, Rocky Mountain, Northwest and Southwestern United States, overbilled and possibly double-billed by inflating (upcoding) the level of evaluation and management services provided to inpatients.

Subsequent to a multi-agency investigation, on June 28, 2013, a settlement agreement was filed by the U.S. Attorney's Office in Seattle, Washington. SIP agreed to pay the Government $14,500,000 to settle the alleged improper billings to Federal health care plans, including Medicare, Medicaid, Tricare and the FEHBP. The FEHBP will recover approximately $94,333 from this settlement.

FEHBP – Health Care Fraud and Money Laundering: A *qui tam* relator alleged that a medical doctor in Lakewood, Washington billed for more chemotherapy drugs than were actually administered, overstated chemotherapy infusion times, and double-billed for medication. The doctor's wife served as his bookkeeper and office manager. An investigation by the OPM

OIG, Health and Human Services OIG and Defense Criminal Investigative Service confirmed the allegations, and also revealed that the doctor and his wife transferred illegally obtained financial assets to their children. The doctor and his wife were indicted in 2011 for health care fraud and money laundering, and asset forfeiture was initiated. The doctor and his wife fled from justice, and are believed to be living in Taiwan. Although still wanted on the criminal charges, in June 2013, the doctor, his wife, and their children entered into a civil settlement agreement negotiated by the U.S. Attorney's Office for the District of Washington. They agreed to pay $3,100,000, from which the FEHBP will recover its losses of $17,505.57. The doctor also agreed to be excluded from Medicare, Medicaid, the FEHBP, and all other Federal health care programs for a period of 15 years.

FEHBP – Forged Prescriptions: The Loudoun County, Virginia Sheriff's Office informed the OPM OIG that a retired Federal employee was suspected of forging prescriptions and causing those prescriptions to be paid by the FEHBP. The retiree was formerly a Supervisory Special Agent with a Federal agency. Our joint investigation with the Sheriff's Office revealed over forty-six prescriptions were forged, for drugs such as Dilaudid, Roxicodone, Percocet, and Oxycontin. In June 2013, the retired Supervisory Special Agent was sentenced to 24 months supervised probation, 100 hours of community service, $200 special assessment fee, fine in the amount of $5000, and restitution to the FEHBP in the amount of $6,557.44. In addition, he was required to participate in a program approved by the U.S. Probation Office for substance abuse.

FEHBP – Improper Billing: A *qui tam* relator alleged that urology practice in Las Vegas improperly billed for a variety of medical services. Review of medical records substantiated the allegations. In April 2013, a settlement agreement was finalized, in which the urology practice agreed to pay $1,000,000 to the Government. From that sum, $19,231.96 was returned to the FEHBP.

FEHBP – Misbranded, Unapproved Drugs: In June 2013, the owner of a hematology and oncology practice entered into a civil settlement agreement in the Eastern District of Tennessee after a multi-agency investigation discovered that he obtained misbranded, unapproved chemotherapy drugs from foreign sources, and then distributed those drugs to patients in the United States. The drugs were not approved for distribution or use by the U.S. Food and Drug Administration. Claims for the misbranded, unapproved drugs were filed with Medicare, TennCare, the FEHBP, and other Government health benefits programs. The defendant agreed to pay the Government $2.55 million. The distribution of funds has not been finalized by the United States Attorney's Office, but the FEHBP is expected to recover over $250,000. [2]

[2] The owner of the medical practice was also criminally convicted and sentenced to serve 24 months in federal prison. However, the OPM OIG's participation was limited to the civil investigation.

Retirement – Deceased Annuitant Fraud: OPM's Retirement Inspections branch identified an annuitant whose February 27, 2002 death was not reported to OPM. As a result, OPM continued making annuity payments through April 2010, resulting in an overpayment of $340,291.40. The annuitant's son confessed to concealing his father's death and to using the annuity payments for his own benefit. The son was convicted of theft of Government funds in the District of Hawaii. In June 2013, he was sentenced to nine months in prison, followed by three years of probation, the first six months of which will be spent in community confinement in a residential reentry center. He was also ordered to pay OPM $340,291.40 in restitution and a $100 assessment fee.

Retirement – Deceased Annuitant Fraud: The Death Master File project conducted by OPM's Retirement Inspections branch revealed that an annuitant's February 28, 1986 death was not reported to OPM. As a result, OPM continued making annuity payments through November 2006, resulting in an overpayment of $406,026.08. Two OPM Address Verification Letters mailed by Retirement Inspections and addressed to the deceased after his death were returned to OPM bearing the deceased's signature. The deceased's step-son pled guilty to forging the signatures and to using the money for his own benefit.

In June 2013, the step-son was sentenced in California to six months in prison, followed by three years of probation, including six months of home detention. He was also ordered to pay OPM $406,026.08 in restitution and a $100 assessment fee.

Retirement – Deceased Annuitant Fraud: After receiving notification from the U.S. Secret Service regarding an overpayment to a deceased survivor annuitant, the OPM OIG and the Secret Service jointly investigated. The survivor annuitant died in 2004, but her death was not reported to OPM. After a two-day jury trial in the District of Massachusetts, her daughter was convicted of Theft of Government Money. On April 10, 2013, the daughter was sentenced to eight months imprisonment (time already served), followed by three months in a community corrections center, followed by six months of home confinement, followed by 36 months of supervised release. She was ordered to pay restitution to OPM in the amount of $77,379.00 and also ordered to pay for her confinement in the community corrections center.

As part of the restitution, the U.S Attorney's Office has filed an Order of Forfeiture for property owned by the defendant.

Federal Investigative Services – Falsification of Work Product: A former OPM contractor background investigator in Billings, Montana confessed to falsifying his work on the background investigations of Federal employees. The number of confirmed falsifications did not meet the threshold for Federal criminal prosecution. It cost OPM's Federal Investigative Services $150,368.82 to re-investigate his assigned cases in order to address the falsification concerns.

In May 2013, FIS recovered this amount through financial offset to USIS, the contractor that employed the investigator.

Federal Employees' Group Life Insurance (FEGLI) – Forged Claims: A Civil Service retiree designated his FEGLI death benefits to be paid equally to his four children. Following his death, one of his children submitted forged claims forms to Metropolitan Life Insurance Company in order to steal the death benefits intended for his siblings, and thereby received the entire amount of the life insurance benefit. The subject pled guilty to forgery in the Western District of Pennsylvania, and in June 2013 he was sentenced to 18 months in prison, three years of probation, and ordered to pay the Office of Federal Employees' Group Life Insurance $117,307.77 in restitution.

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the
Inspector General

MEMORANDUM FOR ELAINE KAPLAN
Acting Director

FROM: PATRICK E. MCFARLAND
Inspector General

SUBJECT: Summaries of Recent OIG Investigations

The purpose of this memorandum is to share with you the results of investigations recently conducted by my office. You routinely receive copies of the Office of the Inspector General (OIG) Final Audit Reports, and we furnish you or your staff with executive summary reports on internal employee misconduct investigations. However, the majority of our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs committed by external parties. In order to inform you of the impact these crimes have on OPM programs, periodically we provide you with brief summaries of investigations that have been resolved and are a matter of public record. Attached are examples of our investigations resolved during the period July 1, 2013 through September 30, 2013.

During this same time period we submitted nine debarment referrals to OPM. We recommended the debarment of nine former contract background investigators criminally convicted of falsifying background investigations. OPM action on these referrals is pending.

We also sent a notice of proposed debarment to a physician who was convicted in Michigan of possession of child pornography. The debarment will become effective on October 17, 2013, unless the physician contests the proposal by that date.

Please feel free to contact me if you have any questions at (202) 606-1200, or you may have someone from your staff contact Assistant Inspector General for Investigations Michelle B. Schmitz, at (757) 595-3968.

Attachment

cc: Liz Montoya, Chief of Staff
Angela Bailey, Associate Director, Employee Services
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Joseph Kennedy, Associate Director, Human Resources Solutions
Sharon McGowan, Acting General Counsel

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

Quarterly Case Summaries
October 2013

Our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs. In order to inform the public of the impact of these crimes, we periodically provide brief summaries of significant investigations that have been resolved. Examples of investigations resolved during the period July 1, 2013 through September 30, 2013 include:

Federal Employees Health Benefits Program (FEHBP) – Off-Label Promotion: A *qui tam* relator filed suit in the United States District Court for the Eastern District of Pennsylvania alleging that Wyeth Pharmaceuticals Inc. (Wyeth) marketed the prescription drug Rapamune for uses not approved as safe and effective by the U.S. Food and Drug Administration, resulting in false claims being submitted to the Federal health insurance programs. On July 30, 2013, Wyeth agreed to pay the United States $490,984,000 to resolve its criminal and civil liability arising from the unlawful marketing of Rapamune for unapproved uses. The FEHBP recovered $4,287,828.74.

FEHBP – False Claims: A *qui tam* realtor filed suit in the United States District Court for the Eastern District of Michigan alleging that Kmart violated the False Claims Act by returning to stock and failing to delete or readjudicate prescriptions that were billed to Federal health insurance programs, but were not picked up by customers. Kmart billed for full prescriptions even though those prescriptions were only partially dispensed. In a settlement dated July 2, 2013, Kmart agreed to pay the United States and the Medicaid Participating States $2,550,000. The FEHBP recovered $227,770.09.

FEHBP – Improper Billing: The National Health Care Anti-Fraud Association informed OPM's Office of Inspector General (OIG) that the owner of NOVA Pain & Rehab Center was potentially submitting fraudulent billing to Federal health insurance programs. An investigation confirmed the allegations, resulting in the owner pleading guilty in the U.S. District Court for the Eastern District of Virginia to the charge of Theft or Embezzlement in Connection with Healthcare. The owner was sentenced on August 13, 2013 to two years of probation, 100 hours of community service, and ordered to pay $29,943.70 in restitution, a $10,000 criminal fine, and a $25 assessment fine. The FEHBP recovered $9,659.92.

FEHBP – Improper Billing: The OIG received a referral from Blue Cross Blue Shield of North Carolina alleging that RespiTest, a facility providing home based sleep study equipment and testing, was improperly billing Federal health insurance programs for their services. Medical record reviews and patient contacts revealed that sleep testing done by RespiTest did not meet the standard of care billed for nor did it meet the qualification to be billed as a complete monitored sleep study. The two owners of RespiTest pled guilty to the charge of False Statements in Healthcare Matter. On July 11, 2013, one of the owners was sentenced to five years in prison, three years of probation, and ordered to pay $4,782,569.90 in restitution and a $100 assessment fine. On July 19, 2013, the other owner was sentenced to three years in prison, two years of probation, and ordered to pay $4,782,569.90 in restitution (jointly with owner one) and a $100 assessment fine. The FEHBP recovered $47,243.62.

In addition to the above listed restitution in the criminal matter, owner one faced a Civil Forfeiture Action in which the United States seized any and all property derived from any proceeds he obtained directly or indirectly as a result of the offenses and all property involved in the criminal violations or proceeds traceable to that property.

FEHBP – False Claims: Allegations of false claims were made against Maryland General Hospital Inc. (MGH) in a suit filed under the *qui tam* provisions of the False Claims Act. Evidence revealed that MGH, an acute care hospital in Baltimore, Maryland, performed cardiac studies on patients and submitted bills to federally funded healthcare programs for services not rendered in connection with these studies. On August 12, 2013, MGH agreed to pay $750,000 to settle these allegations. The FEHBP recovered $8,776.56.

FEHBP – Improper Billing: The OIG at the Department of Health and Human Services notified OPM-OIG of allegations that the owner of Advanced Nuclear Diagnostics was submitting false claims to Federal and state healthcare programs. Allegations focused on the owner's improper billing for nuclear stress tests, including improper use of billing codes, billing for services not performed, and for double billing. On July 30, 2013, the U.S. District Court for the District of Columbia entered into a judgment requiring the owner to pay $17,468,777.38. The FEHBP recovered $3,482,203.00.

FEHBP – False Claims: Trans1 Inc., a North Carolina based medical device manufacturer, agreed to pay the United States $6,000,000 to resolve allegations under the False Claims Act that the company caused healthcare providers to submit false claims to Federal healthcare programs. Trans1 improperly counseled physicians and hospitals to bill for minimally-invasive spine surgeries by using codes intended for more invasive spine fusion surgeries, resulting in healthcare providers receiving more reimbursement than which they were entitled. The allegations of false claims were made in a suit filed in the District of Maryland by a *qui tam* relator. The FEHBP recovered $129,961.00

Retirement – Deceased Annuitant Fraud: OPM's Retirement Inspections branch identified an annuitant whose July 1, 1998 death had not been reported to OPM. As a result, OPM continued making annuity payments through January 2007, resulting in an overpayment of $105,598.95. OPM recovered $17,548.24 through the reclamation process, leaving a balance of $88,050.71. The annuitant's son confessed to concealing his mother's death and to using the annuity payments for his own benefit. He pled guilty to the charge of Theft of Public Money and Property and was sentenced in Texas to five years of probation and ordered to pay OPM $88,050.71 in restitution and a $100 assessment fee.

Retirement – Deceased Annuitant Fraud: OPM's Retirement Inspections branch identified an annuitant whose November 16, 1993 death had not been reported to OPM. The annuitant was receiving two monthly annuity payments from OPM, one as the surviving spouse of her deceased husband, and the other as a retiree. OPM continued making survivor annuity payments through May 2010, and retirement annuity payments through August 2010, resulting in an overpayment of $475,518.50. OPM recovered $76,744.54 through the reclamation process, leaving a balance of $398,773.96. The OIG's investigation revealed that the annuitant's daughter wrote checks to herself from her deceased mother's account, forged her mother's signature, and kept the money for herself. The daughter pled guilty to the charge of Theft of Government Property and on August 27, 2013 was sentenced in Georgia to 18 months in prison, three years of probation, and ordered to pay OPM $398,773.96 in restitution and a $100 assessment fee.

Retirement – Deceased Annuitant Fraud: OPM's Retirement Inspections branch identified an annuitant whose January 27, 1992 death had not been reported to OPM. OPM continued making annuity payments by hard copy check through May 2006, resulting in an overpayment of $130,843.00. OPM mailed three Address Verification Letters (AVL) to the annuitant, all of which were returned to OPM supposedly signed and dated by the annuitant. The AVLs were dated after the annuitant's date of death. The OIG's investigation revealed that the annuitant's nephew had forged his uncle's signature on the AVLs in order to assure that the retirement benefits continued after his uncle's death. The nephew endorsed the annuity checks by forging his uncle's signature, cashed the checks, and used the money for his own personal use. The nephew pled guilty to the charge of Mail Fraud and on July 22, 2013 was sentenced in Tennessee to 15 months in prison, three years of probation, and ordered to pay OPM $130,843.00 in restitution and a $100 assessment fee.

Federal Investigative Services – Falsification: A former contract background investigator pled guilty to a charge of falsifying work on background investigations of Federal employees. The Federal Investigative Services' (FIS) reviewed the investigators work and identified 25 falsifications. On September 12, 2013, the former investigator was sentenced to six months imprisonment (suspended), 20 days in a halfway house, three years of probation, and ordered to pay $78,832.93 in restitution and a $50 assessment fee. The OIG recommended the debarment of this individual based on this criminal conviction.

Federal Investigative Services – Falsification: The Federal Investigative Services Integrity Assurance group referred to OPM-OIG a case of falsification by a former contract background investigator who they found to have submitted 72 falsifications. The investigation resulted in the former investigator pleading guilty to making false statements on background investigations of Federal employees. On September 11, 2013, the former investigator was sentenced in the District of Columbia to four years of probation, 200 hours of community service, and ordered to pay $79,468.00 in restitution and a $100 assessment fee. The OIG recommended the debarment of this individual based on this criminal conviction.

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

January 16, 2014

MEMORANDUM FOR KATHERINE ARCHULETA
Director

FROM: PATRICK E. McFARLAND
Inspector General

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 my office. You routinely receive copies of the Office of Inspector General (OIG) Final Audit Reports, and we furnish you or your staff with executive summary reports on internal employee misconduct investigations. However, the majority of our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs committed by external parties. In order to inform you of the impact these crimes have on OPM programs, periodically we provide you with brief summaries of investigations that have been resolved and are a matter of public record. Attached are examples of our investigations resolved during the period October 1, 2013 through December 31, 2013.

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: Anne Marie Habershaw, Chief of Staff
Dennis D. Coleman, Chief Financial Officer
Angela Bailey, Chief Operating Officer
Mark Reinhold, Acting Associate Director, Employee Services
Kenneth Zawodny, Jr., Associate Director, Retirement Services
Mark Lambert, Associate Director, Merit System Accountability & Compliance
John O'Brien, Director, Healthcare and Insurance
Merton Miller, Associate Director, Federal Investigative Services
Joseph Kennedy, Associate Director, Human Resources Solutions
Kamala Vasagam, General Counsel

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

Quarterly Case Summaries
January 2014

Our investigative workload involves crimes affecting U.S. Office of Personnel Management (OPM) programs. In order to inform the public of the impact of these crimes, we periodically provide brief summaries of significant investigations that have been resolved. Examples of investigations resolved during the period October 1, 2013 through December 31, 2013 include:

Federal Employees Health Benefits Program (FEHBP) – False Claims

- OPM's Office of Inspector General (OIG) received a referral from the Federal Bureau of Investigation (FBI) regarding allegations that a chiropractic doctor submitted fraudulent claims to Federal health insurance programs. An investigation confirmed that the doctor billed insurance companies for more service or longer duration of services than actually provided and for medically unnecessary medical equipment. The doctor pled guilty in the U.S. District Court for the Eastern District of Virginia to the charge of theft from a healthcare program. On October 15, 2013, he was sentenced to two months in prison, two months of home detention, one year of probation, and ordered to pay $161,554.41 in restitution, a $5,000 criminal fine, and a $25 assessment fine. The FEHBP's portion of the total recovery was $7,260.66.

- The FBI informed the OIG of a Federal employee who was allegedly using a false identity as a doctor to write prescriptions for controlled substances for himself and his wife, causing the submission of fraudulent claims to Blue Cross and Blue Shield's Federal Employee Program. An investigation confirmed the allegation, resulting in the employee pleading guilty in the U.S. District Court for the Eastern District of Virginia. On November 1, 2013, the employee was sentenced to two years of probation and ordered to pay a $100 assessment fee. The employee is no longer employed by the Federal Government.

- The OIG at the Department of Health and Human Services referred an allegation that Fairfax Orthopedics submitted fraudulent claims to Federal health insurance programs. An investigation revealed that Fairfax Orthopedics submitted claims for medications that had not received final marketing approval from the U.S. Food and Drug Administration (FDA). In a civil settlement agreement, Fairfax Orthopedics agreed to pay the United States $1,126,217.85. The FEHBP's portion of the total recovery was $298,651.21.

- The OIG received a referral from Florida Blue health insurance company alleging that Lord's Medical & Rehab Center Inc. (Lords) submitted fraudulent claims for reimbursement. An investigation confirmed that Lords submitted claims for services that they did not provide. Two managers at Lords were indicted in the U.S. District Court for the Southern District of Florida. One manager pled guilty to the charge of healthcare fraud. On October 22, 2013, she was sentenced to 30 months in prison, three years of probation, assessed a $100 court fee, and ordered to pay $3,153,262 in restitution. A Federal jury found the other manager guilty of healthcare fraud. On December 26, 2013, he was sentenced to 41 months in prison, three years of probation, and ordered to pay $976, 476 in restitution and a $100 court fee. The FEHBP's portion of the total recovery was $190,306.43.

FEHBP – Off-Label Promotion

- A *qui tam* relator filed suit in the U.S. District Court for the Eastern District of Pennsylvania alleging that Janssen Pharmaceuticals, L.P. (Janssen) promoted the use of the drugs Risperdal and Invega for medically unnecessary and unsafe usage and conspired with doctors to cause the submission of fraudulent claims to Federal health insurance programs. An investigation confirmed these allegations; and in a civil settlement agreement, Janssen agreed to pay the United States and the Medicaid Participating States $1,273,024,000. The FEHBP's portion of the total recovery was $37,012,749.97. In the criminal plea agreement, Janssen was sentenced to pay a $334,000,000 fine, $66,000,000 in criminal forfeiture, and a $125 assessment fee.

- A *qui tam* relator filed suit in the U.S. District Court for the Northern District of California alleging that SCIOS Inc. and Johnson & Johnson (Scios) engaged in off-label promotion of the drug Natrecor. The FDA approved Natrecor to treat patients with acutely decompensated congestive heart failure who have shortness of breath at rest or with minimal activity. Scios marketed the drug for patients with less severe heart failure, a use not included in the FDA-approved label and not covered by Federal healthcare programs. Scios agreed to pay the Federal Government $184,000,000 to resolve their civil liability for the false claims submitted to Federal healthcare programs resulting from their off-label marketing of Natrecor. The FEHBP's portion of the total recovery was $627,371.56.

Retirement – Deceased Annuitant Fraud

- OPM identified an annuitant whose July 31, 2000 death had not been reported to OPM. OPM continued making annuity payments through November 2009, resulting in an overpayment of $125,262.00. The annuitant's daughter pled guilty to the charge of Theft of Government Money and on December 18, 2013 was sentenced in Georgia to five years of probation and ordered to pay OPM $125,262 in restitution and a $100 assessment fee.

- OPM's Retirement Inspections branch identified an annuitant whose November 9, 2004 death had not been reported to OPM. As a result, OPM continued making annuity payments through November 2009, causing an overpayment of $92,681.90. OPM mailed two Address Verification Letters (AVLs) to the annuitant, both of which were returned to OPM supposedly signed and dated by the annuitant. The annuitant's daughter admitted to forging her deceased mother's signature on the AVLs in order to assure that the retirement benefits continued after her mother's death and to using the annuity payments for her own personal gain. The daughter pled guilty to the charge of Theft of

Government Property and on December 4, 2013 was sentenced in California to five years of probation, 100 hours of community service, and ordered to pay OPM $92,681.90 in restitution and a $100 assessment fee.

- The Social Security Administration's OIG informed OPM's OIG of the March 27, 1998 death of an annuitant whose death had not been reported to OPM. OPM continued making annuity payments through August 2012, resulting in an overpayment of $182,202.52. The annuitant's grandson admitted that he had been using his deceased grandmother's annuity payments from OPM and Social Security for his own benefit since her death. He pled guilty to the charge of Theft of Public Money and on November 13, 2013 was sentenced in Oklahoma to four years of probation, six months of home detention, and ordered to pay $265,603.52 in restitution and a $100 assessment fee. OPM recovered $182,202.52.

Federal Investigative Services – Falsification: The OIG investigated three cases involving contract background investigators falsifying work on background investigations of Federal employees. The Federal Investigative Services' (FIS) Integrity Assurance office conducted recovery projects on each of the three contract background investigators to determine the number of falsifications. In each case, the number of falsifications was not sufficient to meet the established criteria for criminal prosecution. FIS did recover the cost of the recovery efforts from the contractor through contractual offsets. The amounts recovered on the three cases were $89,320.76, $136,531.40, and $170,131.64.

Federal Investigative Services – Debarment: In September 2012, the OIG brought to former Director Berry's attention the fact that OPM lacked an adequate Suspension and Debarment program, for any of its programs or contracting activities, other than with regard to health care providers participating in the Federal Employees Health Benefits Program (FEHBP).[1] Former Director Berry instructed a group of contracting experts to develop a suspension and debarment program for OPM, and the new program became effective on March 20, 2013. On November 1, 2013, OPM issued its first two debarments on cases referred by the OIG. Both of the debarred individuals were background investigators criminally convicted of fabricating background investigation reports. Five additional debarments have been issued since January 1, 2014, and more are pending.

Management Advisory - Whistleblower Protection: On October 25, 2013, the OIG issued a memorandum to Acting OPM Director Elaine Kaplan recommending that OPM take prompt action to amend existing contracts in order to make the whistleblower protections afforded to employees of Federal contractors and subcontractors by Public Law 112-239 (January 2, 2013) applicable within OPM programs, in particular the background investigations program administered by OPM's FIS. Section 828 of the National Defense Authorization Act for Fiscal Year 2013 (Public Law 112-239), codified generally at 47 U.S.C. § 4712, (hereinafter referred to as Section 828) extended whistleblower protection to employees of Federal contractors, subcontractors, and grantees on a pilot basis for the period July 1, 2013, through January 1, 2017. These provisions specify that an employee of a Federal contractor or subcontractor may not be

[1] Under a delegation from successive OPM Directors, the Office of the Inspector General has conducted an administrative sanctions program with respect to such health care providers since 1993.

discharged, demoted, or otherwise discriminated against as a reprisal for making a protected disclosure of information. However, the protections of Section 828 only apply to persons against whom retaliatory actions were taken on or after July 1, 2013 and who were working under contracts which were issued on or after that date; were amended on or after that date to specifically incorporate the protective provisions of Section 828; or for which new task orders were issued on or after that date. The OIG was informed that as of December 3, 2013, OPM had made the necessary modifications to existing FIS contracts, were in the process of prioritizing other OPM contracts for modification, and were committed to include the whistleblower protection provisions in future contracts.

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

May 6, 2014

MEMORANDUM FOR KATHERINE ARCHULETA
Director

FROM: for PATRICK E. McFARLAND
Inspector General

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 January 1, 2014 through March 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: Anne Marie Habershaw, Chief of Staff
Dennis D. Coleman, Chief Financial Officer
Angela Bailey, Chief Operating Officer
Mark Reinhold, Acting Associate Director, Employee Services
Kenneth Zawodny, Jr., Associate Director, Retirement Services
Mark Lambert, Associate Director, Merit System Accountability & Compliance
John O'Brien, Director, Healthcare and Insurance
Merton Miller, Associate Director, Federal Investigative Services
Joseph Kennedy, Associate Director, Human Resources Solutions
Kamala Vasagam, General Counsel
Dean Hunter, Director, Facilities, Security and Contracting

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

Quarterly Case Summaries
April 2014

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 January 1, 2014 through March 31, 2014.

Federal Employees Health Benefits Program (FEHBP) – False Claims

- A *qui tam* relator filed suit in the U.S. District Court for Montana alleging that EndoGastric Solutions Inc. mislead health care providers about how to bill Federal health care programs for a procedure using a device manufactured by their company in order to increase the amount of reimbursement they received. In addition, it was alleged that EndoGastric Solutions violated the Anti-Kickback Statue by paying remuneration to physicians for participating in patient seminars and co-marketing agreements to induce them to use their products. An investigation confirmed these allegations; and in a civil settlement agreement, EndoGastric Solutions agreed to pay the United States $2,500,000 in fixed payments and additional contingency payments based on their future sales, not to exceed $2,750,000. The FEHBP's portion of the fixed payment was $439,069.35.

- A *qui tam* relator filed suit in the U.S. District Court for the Eastern District of Tennessee alleging that Tennessee Orthopaedic Clinic (TOC) knowingly billed state and Federal health care programs for medications that were reimported from foreign countries and that had not been approved by the U.S. Food and Drug Administration (FDA). An investigation confirmed that TOC purchased deeply discounted medication in foreign markets and then submitted false claims to state and Federal health insurance programs indicating that the medications that they provided to their patients were FDA approved. A civil settlement agreement required TOC to pay the United States and the state of Tennessee collectively $1,300,000. The FEHBP's portion of the total recovery was $11,494.63.

- OPM's Office of Inspector General (OIG) received a referral from the U.S. Attorney's office for the Eastern District of Virginia regarding allegations that an ophthalmologist who owned and operated Retina Group of Tidewater, PC (RGT) in Norfolk, Virginia submitted claims to Federal health insurance programs for a drug that has not received final marketing approval from the FDA. An investigation revealed that RGT submitted claims for the drug Avastin, which they obtained from a wholesaler in the United Kingdom. The FDA has not approved this version of the drug for use in the United

States. A civil settlement agreement required RGT to pay the United States $76,699.92. The FEHBP's portion of the total recovery was $2,775.54.

- A *qui tam* relator filed suit in the U.S. District Court for the Eastern District of Virginia alleging that Pediatric Cardiology Associates, P.C. (PCA) engaged in a scheme to submit false and fraudulent claims for reimbursement by unbundling the billing for echocardiograms and upcoding the use of event monitors and office visits associated with stress tests. PCA entered into a civil settlement agreement which required them to pay the United States $145,129.94 and the Commonwealth of Virginia $29,870.06. The FEHBP's portion of the total recovery was $66,626.64.

- OPM's OIG received a referral from the United States Postal Service (USPS) OIG regarding allegations that a mental health doctor was submitting fraudulent claims to Federal health insurance programs for services not rendered. An investigation confirmed that the doctor had devised a scheme to submit false claims that included collaboration with current and former USPS employees. The doctor pled guilty to the charge and was sentenced on February 4, 2014 in the Central District of California to five years of probation and ordered to pay $172,754.06 in restitution. Two USPS employees involved in the scheme were sentenced on August 5, 2013 and September 19, 2013 respectively to probation and ordered to pay restitution.

- A *qui tam* relator filed suit in the U.S. District Court for the District of South Carolina alleging that Omnicare Inc., a long-term care pharmacy, engaged in a kickback scheme in violation of the False Claims Act. Omnicare solicited and received kickbacks from drug manufacturer Amgen Inc. in return for implementing programs designed to switch Medicaid beneficiaries from a competitor drug to Amgen's product Aranesp. Omnicare entered into a civil settlement agreement and agreed to pay the United States and the Medicaid Participating States $4,190,000. The FEHBP's portion of the total recovery was $32,441.43.

FEHBP – Off-Label Promotion

- A *qui tam* relator filed suit in the U.S. District Court for the Eastern District of Pennsylvania alleging that Endo Pharmaceuticals Inc. (Endo) promoted the use of the drug Lidoderm for treatment of medical conditions that the drug had not been approved for by the FDA. An investigation confirmed these allegations; and in a civil settlement agreement, Endo agreed to pay the United States and the Medicaid Participating States $171,910,153. The FEHBP's portion of the total recovery was $6,430,989.47. In a criminal agreement, Endo agreed to pay $20,800,000 in monetary penalties and forfeiture.

Retirement Program – Deceased Annuitant Fraud

- OPM's Retirement Inspections branch identified an annuitant whose October 6, 2009 death had not been reported to OPM. As a result, OPM continued making annuity payments through January 2013, causing an overpayment of $43,826.34. The Social Security Administration (SSA) also made payments after the annuitant's death, resulting in an overpayment of $19,227.00. The annuitant's daughter admitted that after her mother's death she used the annuity payments for her own personal gain and she pled guilty to the charge of Larceny over $250 by Single Scheme. On March 10, 2014 she was sentenced in Massachusetts to seven years of probation and ordered to pay $43,826.34 in restitution to OPM, $19,227.00 in restitution to SSA, and a $50 assessment fee.

Federal Investigative Services (FIS) – Debarment of Background Investigators

- Under OPM's new Suspension and Debarment program, OPM issued debarments to six background investigators during the period January 2014 through March 2014. The OIG referred these background investigators to OPM for debarment for falsifying work they conducted on background investigations of Federal employees. In addition, the OIG referred three other cases to OPM for debarment during the same period.