Department of Veterans Affairs
Office of Inspector General

Summary of the Philippines Benefit Review

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Executive Summary

The Philippines Benefit Review (PBR) began in April 2001, with the mailing of information request letters and Payee Identification Sheets to all beneficiaries receiving payments administered by the Veterans Affairs Regional Office (VARO), Manila, Philippines. From April 8, 2002 until May 9, 2002, the Veterans Affairs Office of Inspector General (VA OIG), assisted by staff of the Manila VARO and the VA Financial Systems Quality Assurance Service, completed reviews and interviews at the Manila VARO. Over 1,100 interviews were conducted, approximately 2,600 files were reviewed, 9 criminal cases were initiated and one search warrant was obtained and executed.

As of May 10, 2002, awards of 594 beneficiaries were identified for suspension or termination. The overpayments for these 594 beneficiaries totaled approximately $2.5 million with a projected 5-year cost avoidance of over $21 million. Criminal investigations initiated during the PBR were turned over to the Philippines National Police (NPI).

The VA OIG also referred 94 beneficiaries to the VARO for review regarding possible increase in benefits; appointment of a fiduciary; change of address; POW medal status; and various other benefits changes.

This report presents the operational aspects of the review, the outcomes and our observations on how to prevent similar fraudulent activities in the future. We especially note the exemplary initiative and cooperation of the Department elements in the conduct of this review.

RICHARD J. GRIFFIN

Inspector General

Introduction

After World War II, the U.S. Congress granted veterans benefits to various groups of Filipino veterans that served under the U.S. command during the war. Filipino veterans are the only group of non-US veterans that receive VA benefits. Over the years the array of benefits offered to Filipino veterans and their dependants have expanded. As of April 15, 2001, there were 18,929 VA beneficiaries paid from the Manila VARO. Each month approximately $10 million in VA payments are sent to these beneficiaries.

VA payments in the Philippines represent significant sums of money. That, coupled with extreme poverty and a general lack of economic opportunity, fosters an environment for fraudulent activity. The Manila VARO has long struggled to combat fraudulent activities. The majority of fraud experienced by the Manila VARO can be placed into two broad categories: deceased payee cases and false claims cases.

Due to the advanced age of many WWII veterans and their widows, there is a high rate of death among these beneficiaries. It is difficult for the VA to know when these individuals have passed away. There are over 7,000 islands in the Philippines and the VA beneficiaries are spread among them. Traveling to some of these islands is extremely difficult. The Philippines Government has no centralized or organized record keeping system for death certificates. Additionally, because of the relatively large amount of money that VA payments represent, individuals will go to great lengths to conceal the death of VA beneficiaries. Thus, deceased payee cases are difficult for the Manila VARO to identify and are a continual problem.

The second broad category of fraud can be described as false claims cases. In these fraud cases, the beneficiary is alive but is presenting documents, or making statements, that are false. This is done in an effort to receive initial VA benefits or increase the amount of existing benefits. Individuals known as “claims fixers” are involved in the largest number of false claims. These individuals submit claims to the VA on behalf of others. If the VA approves the claim, then the claims fixer receives a large portion of the award. Claims fixers will often submit false documentation to assure that the award is approved. There are laws in both the U.S. and the Philippines that make it a crime to receive money for helping someone submit a false claim to the VA.

Operational Phase

From April 8, 2002, through May 9, 2002, the operational phase of the PBR was conducted at the Manila VARO. The VA OIG PBR team included six individuals from the Office of Investigations, three individuals from the Office of Audit, one individual from the Office of Management and Administration, one individual from the Office of Healthcare Inspections, two outside fingerprint analysts and one fingerprint analyst from the U.S. Secret Service. The VA OIG PBR team was assisted by two individuals from the VA Financial and Systems Quality Assurance Service (FSQAS) and staff from the Manila VARO.

The PBR was a proactive effort that was initiated pursuant to a request from the Manila VARO for assistance in combating fraud associated with false claims. The scope of the PBR was later expanded to include deceased payee fraud, and to observe the effectiveness of the Field Exam program. This report provides the results of the operational phase of the PBR initiative. The PBR addressed these issues through a combination of reviews, interviews, and investigations.

On April 15, 2001, information request letters and the Payee Identification Sheets (PIS) were sent to all 18,929 beneficiaries whose awards were being administered by the Manila VARO. These letters were coordinated and printed by the Veterans Benefits Administration Hines System Development Team, and shipped to Manila for mailing. The mailing of these letters was the first step in the PBR. The letters directed the beneficiaries to fill out the enclosed PIS and return it to the VARO. The PIS asked for four samples of the beneficiary's right thumbprint as well as for four signature specimens. On July 15, 2001, a second set of letters and the PIS were sent to 2,280 beneficiaries who did not return the first mailing of the PIS. There were 590 VA beneficiaries who did not return either PIS. In agreement with the VA OIG, the VARO suspended the beneficiaries' benefits until their existence was verified or their death was confirmed. As of February 2002, 291 beneficiaries proved they were entitled to VA benefits; 130 beneficiaries were deceased; and 169 had not contacted the VARO or the VA OIG.

On March 7, 2002, letters were sent to 1,260 beneficiaries who had returned their PIS. These letters requested that the beneficiaries present themselves at the Manila VARO to be interviewed by the PBR team. Failure to show up for the interview, absent a verifiable excuse, would result in suspension and possible termination of benefits.

To identify potential fraud regarding the PIS and to verify that the interviewee was in fact the beneficiary, interviews were conducted. Also, identification documents were reviewed and a thumbprint analysis was performed. Beneficiaries to be interviewed were previously selected based on various criteria.

On a daily basis, two of the three fingerprint analysts were involved in determining (analyzing) the authenticity of the VA beneficiaries who were coming into the Manila VARO to be interviewed. The fingerprint analyst compared the thumbprint taken from the interviewee with

the oldest thumbprint in the VA claims folder, some of which dated back as early as 1939. If there were no thumbprints in the claims folder then the thumbprint was compared to the thumbprint previously supplied on the PIS. On several occasions, it was determined that the prints on the PIS were not the beneficiary's prints, but rather, those of a relative or a friend. Each PIS was corrected on site and verified with past prints in the file. One imposter was found in the comparison. The daughter of a VA beneficiary conspired with a friend to have the friend impersonate her deceased mother who was the VA beneficiary. Confessions were obtained from the deceased beneficiary's daughter and from the woman posing as her mother. A criminal case was initiated, and the award was immediately suspended.

The third fingerprint analyst was dedicated to conducting fingerprint comparisons of those beneficiaries who were not invited to the VARO by the PBR team for interviews, but whose claims folders were at the VARO. Each analysis consisted of comparing the oldest thumbprints in the VA claims folder with thumbprints on the beneficiary's PIS.

There were 1,257 fingerprint comparisons conducted on c-files of those not invited to the VARO resulting in 79 instances where the prints submitted were determined to be questionable. Letters were sent to these beneficiaries requesting that they present themselves at the VARO to be interviewed.

There were 31 beneficiaries who were requested to appear for an interview and stated that they were unable to make the trip for a variety of reasons. They were scheduled for a field exam to be conducted at their homes by field examiners from the Manila VARO Field Examination Unit. The final determination of these 31 beneficiaries is still pending.

Another issue addressed by the PRB is the Manila VARO's problem of "claims fixers." Claims fixers submit a significant number of new claims received by the VARO. In the past, the VARO has forfeited the claims of beneficiaries who have submitted false claims; however, they have been unable to pursue fixers themselves. A number of the beneficiaries who were interviewed were previously selected based on geographic regions with intense fixer activity or known activity according to the VARO. All these interviewees were from the greater metropolitan Manila area. The VARO marked the claim folders of known fixers and possible fixer related cases to assist the OIG. The purpose of each interview was to obtain intelligence information and testimonial evidence regarding the activities of the claims fixers and question those beneficiaries where submission of false claims was suspected. This information would be the starting point for the development of criminal cases that would be brought to the Philippines National Bureau of Investigation (NBI).

These interviews and file reviews resulted in identifying 34 beneficiaries who have claims that may have been based on fraudulent documents. Payments to these beneficiaries are now under review and their awards could be subject to forfeiture. Two subjects have been arrested and formally charged in the Philippines judicial system. Ten other subjects have been formally referred for prosecution by the NBI. As a result of the execution of a search warrant by NBI and VA OIG agents, 32 boxes of documentary evidence that were seized yielded the names of several hundred VA beneficiaries. Many of these awards may be based on fraudulent documentation supplied to VA by a claim fixer's criminal organization. The Manila VARO has

agreed to interview all of these beneficiaries in an attempt to ascertain which claims may have been based on fraudulent documentation. Claims based on fraudulent documentation will be forfeited, and overpayments will be created as appropriate. The VA OIG is coordinating these activities with the Manila VARO and the NBI. This investigation is ongoing.

At the conclusion of the PBR, the PBR Team identified 594 beneficiaries with associated overpayments of approximately $2.5 million and a cost avoidance of over $21 million. These included: 1) beneficiaries who did not return the PIS from the April or July mailings and were not reconciled; 2) beneficiaries who did not respond when invited to be interviewed; 3) beneficiaries reported and confirmed dead after receiving the PIS; 4) beneficiaries invited to the interview process and who were confirmed dead as a result of paperwork brought in by relatives; and 5) criminal and administrative cases created as a result of the PBR.

Field Examination Review

In an effort to determine the effectiveness of the VA Field Examination Unit, letters were sent to ten beneficiaries requesting that they present themselves at the Manila VARO to be interviewed by the PBR team. These ten beneficiaries had recently been the subjects of field exams and it was reported that there was no fraud associated with their respective cases. The results of these interviews were consistent with the Field Examiner's reviews and indicated that the field exam procedures are effective.

Additional Benefits of the PBR

During the interviews conducted by the PBR team, there were 94 referrals of beneficiaries to the VARO Veterans Services Division for a variety of VA issues. These included:

24 referrals for possible Aid and Attendance Benefits
38 referrals to request payment via direct deposit
10 referrals for possible Individual Unemployability Benefits
9 referrals to submit a change of address
5 referrals for appointment of a fiduciary
5 referrals for various other benefits related matters
3 referrals for POW medals

The PBR team analysts conducted a class on the proper procedures of taking fingerprints and comparing previous prints with current prints. This instruction was provided for the VARO Field Examination Unit and the Veteran Services Division, Public Contact Team.

Conclusion

During the 6-week operational phase of the PBR, 1,134 interviews were conducted, 2,391 fingerprint comparisons were conducted, 2,600 files were reviewed, approximately 1,100 digital photographs were taken, 9 criminal cases were initiated, and one search warrant was obtained and executed through the NBI.

The 1,100 digital photographs taken will assist the VARO and the VA OIG in future payee verification. A total of 594 beneficiaries were identified for suspension or termination of benefits, resulting in a cost savings to the VA of approximately $2.5 million in overpayments, and a projected 5-year cost avoidance of over $21 million.

The 594 cases included: 19 criminal and administrative cases, 169 beneficiaries who failed to complete the PIS, 12 beneficiaries who did not participate in the interview process, and 394 beneficiaries determined by the OIG to be deceased.

VARO management and staff contributed greatly to the OIG PBR. Management's coordination and support, both before and during the visit, was instrumental in the successful results obtained. Appendix A describes some of the coordination and support the VARO staff provided.

At the conclusion of the PBR in Manila, VA OIG management met with VARO management and discussed observations the VA OIG determined would benefit the VARO in their previously defined areas of concern (refer to Appendix B).

Appendix A:

Assistance provided to the PBR project by the Manila VARO

The PBR project was initiated as a result of the heightened concern that the Manila VARO has regarding fraud against the VA. In addition to providing the motivation for this project, the Manila VARO contributed a tremendous amount of resources towards the completion of this project. Specifically, the Manila VARO staff performed the following functions:

A. 18,339 beneficiaries returned the PIS. Manila VARO personnel recorded the return of each of these sheets in a *Microsoft Access* database and then filed the sheets in the appropriate VA claims folder.

B. During the entire project, 2,600 claims folders were retrieved from, and returned to, the file room by Manila VARO staff. This represented claims folders of beneficiaries that were interviewed and also claims folders of beneficiaries that only had fingerprint analyses conducted. Of all of the claims folders requested by the VAOIG, one file folder could not be retrieved on the same day it was requested, but appeared the next day.

C. The nine members of the VARO Manila, Veterans Services Division, Public Contact Team, served as interpreters when needed. They also answered program questions and generally assisted with troubleshooting various problems.

D. Four VARO personnel reviewed thousands of documents that had been seized during the execution of a search warrant pursuant to the investigation of a known "fixer." Their review focused on retrieving the names and claim numbers listed on these documents. They also identified documents with extraordinarily important evidentiary value.

E. Manila VARO personnel also checked the award status associated with the approximately 3,000 names retrieved from the documents seized during the execution of the above referenced search warrant.

Appendix B:

Observations

Based on the results of the PBR project, the following observations are provided in an attempt to reduce the number of future deceased payee and false claims cases.

Deceased Payee Cases

The Manila VARO should conduct beneficiary verification interviews at the Manila VARO, similar to those conducted in furtherance of the PBR project. These should focus on those payees where there is some suspicion by the VARO that the beneficiaries may be deceased. It can also focus on beneficiaries in specific geographic areas or other criteria as identified by the VARO. If the beneficiary fails to report or produce information to the satisfaction of the VARO, then benefits should be suspended until the matter is resolved. This process can save VA resources by eliminating payments to deceased beneficiaries, as well as, reduce travel and human resource expenses associated with conducting multiple field examinations.

False Claims Cases

A. The Manila VARO should reject all claims submitted that can be identified or associated with claims fixers. This is pursuant to Title 38 U.S.C. Section 5901, which prohibits individuals from acting as an agent in the preparation, presentation, or prosecution of any VA claims unless such individual has been recognized for such purposes by the VA. The VARO should retain the submitted claims and store them as a "reference database" of paperwork associated with claims fixers. This will aid in the identification of future claims that are submitted by these claims fixers. On May 2, 2002, the Manila VARO, in conjunction with the OIG, submitted a request for a legal opinion regarding this matter. VA Regional Counsel provided an opinion that supported rejecting all claims associated with claims fixers.

B. When deemed necessary, the Manila VARO should conduct beneficiary verification interviews at the Manila VARO, similar to those conducted in furtherance of the PBR project. These should focus on those payees where there is some suspicion by the VARO that the beneficiary may be using a claims fixer or may be involved in some type of fraud. At the VARO, VA staff can question the beneficiary regarding the authenticity of documents or claims submitted. This will allow the beneficiary to be

questioned in a controlled environment without the influence of a claims fixer or third party involved in fraudulent activity. If the beneficiary fails to report for the interview, then the benefits should be suspended. This process can save VA resources by eliminating payments based on fraudulent documentation or false claims. It can also reduce the travel and human resource expenses associated with conducting multiple field examinations.

C. Currently, when a field examination is conducted, the beneficiary is photographed for future identification purposes. However, when subsequent field examinations are conducted, the field examiner is not supplied with a copy of the photograph taken at the last field examination. On one occasion, the VAOIG discovered that the VARO continued to pay benefits to a deceased beneficiary after a field examination had been conducted to verify that the beneficiary was alive. Had the field examiner possessed a photograph of the widow (taken during the prior field examination), he would have been able to see that these were clearly different women. The field examiner interviewed the imposter who was conspiring with the deceased widow's daughter. The daughter of the deceased widow had briefed the imposter on various aspects of the widow's life so that she could appropriately answer the field examiner's questions. It is suggested that field examiners be equipped with digital cameras so that a database of beneficiary photos can be easily created and disseminated. It is also suggested that non-digital photographs, taken at previous field examinations, be scanned into the database so that these photos are available for comparison during future field examinations.

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