



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



September 30, 2026

Attorney General Jay Jones
202 North 9th Street
Richmond, VA 23219

Director Jill Costen
Medicaid Fraud Control Unit
202 North 9th Street
Richmond, VA 23219

Dear Attorney General Jones and Director Costen:

American taxpayers provide nearly half a billion dollars every year to State governments to fund State Medicaid Fraud Control Units (MFCUs or Units), which are obligated by Federal law to use that money to effectively fight Medicaid fraud and protect patients from abuse or neglect. Virginia receives approximately \$14.6 million per year from American taxpayers for these purposes. Given this substantial investment in the Virginia MFCU, American taxpayers and the Federal Government expect the Unit and the Virginia Attorney General to use the millions of Federal dollars to effectively fight Medicaid fraud and protect Medicaid patients from abuse or neglect.

The Department of Health and Human Services, Office of Inspector General (OIG) is conditionally recertifying the Virginia MFCU, subject to a special condition. This action reflects OIG's recognition of the Unit's potential and its obligation to ensure that every MFCU operates effectively, uses Federal funds appropriately, and consistently delivers results that protect the integrity of the Medicaid program. Although the Virginia MFCU has taken steps to address challenges that may impede its effectiveness, the Unit must take additional action to improve its performance across key operational and investigative areas. Additional improvement is necessary to ensure compliance with Federal requirements and to ensure that the Unit operates at the standard taxpayers expect. Certain weaknesses persist, particularly in areas essential to the Unit's statutory responsibilities, such as the Unit's responsibility to ensure that it receives an adequate level of quality fraud referrals from the State Medicaid Program Integrity Unit (PIU) and managed care organizations (MCOs) operating in Virginia.

OIG takes seriously its responsibility to ensure that Units receiving these Federal funds are fulfilling the MFCU mission effectively. As part of that responsibility, OIG evaluates each Unit's performance, operational capacity, investigative outcomes, and overall adherence to statutory and regulatory requirements. This oversight is essential to maintaining public trust and ensuring that every MFCU contributes meaningfully to the broader fight against fraud, waste, and abuse within the Medicaid program.

OIG is conditionally recertifying the Virginia MFCU beginning on October 1, 2026, subject to a special condition. This letter serves as written notice and explanation of OIG's determination to conditionally recertify the Unit with a special condition (42 CFR § 1007.17(d)(1); 2 CFR § 200.208(d)).

Statutory and Regulatory Background

The Social Security Act (SSA) requires each State to demonstrate that it operates a MFCU that effectively carries out its statutory functions and responsibilities (SSA §§ 1902(a)(61) and 1903(q)). OIG, through delegations from the Secretary of Health and Human Services, is responsible for annually recertifying and funding each Unit (SSA §§ 1903(a)(6), (b)(3), and (q); 44 Fed. Reg. 47809, 47811 (Aug. 15, 1979)). To continue receiving Federal funding, a Unit must be certified. Under SSA §§ 1903(a)(6) and (q) and 42 CFR § 1007.19(d)(1), Federal funding is allowable only if a Unit has been certified and recertified annually by OIG.

OIG may approve or deny a Unit's annual recertification application and must provide written explanation for denials (42 CFR § 1007.17(d)(2)). When making recertification determinations, OIG evaluates whether the Unit has demonstrated that it effectively carries out the functions and requirements described in SSA § 1903(q), as implemented by 42 CFR part 1007. In making these determinations, OIG reviews the information described in 42 CFR §§ 1007.17(a) and (b) and considers the factors in 42 CFR § 1007.17(c).

OIG may impose special conditions or restrictions and may require corrective action, as provided in 2 CFR § 200.208, before approving a reapplication for recertification (42 CFR § 1007.17(d)(1)).

Recertification Decision

OIG conditionally recertifies the Unit subject to a special condition. This special condition reflects deficiencies related to the Unit's efforts to maintain an adequate volume and quality of referrals from the State Medicaid agency and other sources.

Basis for Conditionally Recertifying With a Special Condition

OIG evaluated whether the Unit demonstrated that it effectively carries out its statutory functions and responsibilities as required by SSA §§ 1902(a)(61) and 1903(q) and implemented in 42 CFR part 1007. OIG considered the following factors and information and determined that the Unit is not always effectively carrying out its statutory functions and requirements.

Findings Under Each of the Five Certification Factors in 1007.17(c)(1)-(5)

1. Compliance With Regulations (42 CFR § 1007.17(c)(1)): The Virginia MFCU generally complied with applicable laws and regulations.

2. Compliance With Policy Transmittals (42 CFR § 1007.17(c)(2)): The Virginia MFCU generally complied with OIG policy transmittals.

3. Adherence to Performance Standards (42 CFR § 1007.17(c)(3)): OIG has determined that the Virginia MFCU is not always adhering to the MFCU Performance Standards as published in the

Federal Register (89 Fed. Reg. 76431, September 2024). OIG assessed the Unit's adherence to all performance standards based on the MFCU's recertification materials that cover July 1, 2025, through June 30, 2026 (the full year immediately before the quarter in which the Unit's recertification date falls) and annual statistical reporting covering Federal fiscal years (FYs) 2023–2025.

- Performance Standard 2—Staffing:

The Virginia MFCU employs a total number of staff commensurate with the State's total Medicaid program expenditures of \$23 billion. In its FY 2025 annual statistical report, the Unit reported that it had 104 approved staff positions and that 95 of them were filled as of the end of FY 2025.

- Performance Standard 4—Referrals:

Even though the Virginia Unit met regularly with the PIU and MCOs and received a significant number of fraud referrals from those sources during the review period, the Unit did not open any of those referrals as cases. The Unit reports meeting monthly with the PIU to discuss the quantity and quality of fraud referrals. In its FY 2025 annual statistical report, the Unit reported that it received 188 fraud referrals from the PIU and 170 fraud referrals from MCOs but did not open any of these referrals as a case. It therefore appears that these meetings have not been sufficient to ensure that the PIU and MCOs are sending quality referrals to the Unit.

- Performance Standard 5—Case Progression

The Virginia MFCU appears to be making reasonable, timely progression on investigations. In its recertification materials, the MFCU reported that its supervisors conduct quarterly case file reviews, and investigative staff set 30-, 60-, and 90-day goals during the quarters. The Unit reported that 14 percent (31 out of 220) of its cases have been open for more than 3 years.

- Performance Standard 8—Cooperation:

OIG's Office of Investigations (OI) reported a positive working relationship with the Virginia MFCU, as well as 69 joint investigations with the Unit during the review period. The MFCU and OI share investigative case information and meet regularly through health care fraud task forces operating in Virginia. The Unit reported that 11 MFCU attorneys are cross-designated as Special Assistant U.S. Attorneys and that they regularly work joint cases with the U.S. Attorneys' offices in Virginia.

4. Effectiveness Investigating and Prosecuting Fraud (42 CFR § 1007.17(c)(4)): The Virginia MFCU is using its resources effectively to investigate and prosecute cases of possible Medicaid provider fraud. Among the factors that OIG has considered in assessing the Unit's effectiveness in investigating and prosecuting fraud are the Unit's case outcomes as reported in the annual statistical report and how the Unit compares with similar-sized peers.

For the past 3 fiscal years, the Virginia MFCU reported 65 fraud convictions, which ranks Virginia fifth out of 10 similar-sized Units. Additionally, for FY 2025, the Virginia MFCU reported 262 fraud investigations, 29 fraud convictions, 55 fraud indictments, 20 civil settlements and judgments, and total monetary recoveries of \$671.4 million.

5. Effectiveness Investigating and Prosecuting Patient Abuse or Neglect (42 CFR § 1007.17(c)(5)): The Virginia MFCU is not always using its resources effectively to investigate and prosecute complaints alleging abuse or neglect of patients or residents in health care facilities receiving payments under the State Medicaid plan and, at the Unit's option, in board and care facilities. Among the factors that OIG has considered in assessing the Unit's effectiveness in investigating and prosecuting patient abuse or neglect are the Unit's case outcomes as reported in the annual statistical report and how the Unit compares with similar-sized MFCUs.

The Virginia MFCU's number of patient abuse or neglect convictions is minimal. The MFCU increased its number of convictions related to patient abuse or neglect from FY 2024 to FY 2025, from one to three convictions. For the past 3 fiscal years, the Virginia MFCU reported seven patient abuse or neglect convictions, which ranks Virginia seventh out of 10 similar-sized Units. Additionally, in FY 2025, the Virginia MFCU reported 3 investigations, 3 convictions, and 20 indictments related to patient abuse or neglect.

Effect of Conditional Recertification With a Special Condition

OIG is granting conditional recertification subject to a special condition. To remove this special condition and be recertified, the Unit must take the corrective actions detailed in the Enclosure.

Upon successful completion of the corrective actions, OIG will remove the special condition. If the Virginia MFCU fails to take the required action, OIG may pursue additional certification actions or financial remedies, as necessary (see 42 CFR § 1007.17 and 2 CFR § 200.339).

If you have any questions regarding your Unit's conditional recertification, please call me at (202) 619-3148.

Sincerely,



T. March Bell
Inspector General

Enclosure

Enclosure: Special Condition for Corrective Action

OIG imposes the following special condition on the Virginia MFCU Federal grant. The Virginia MFCU must take corrective actions to come into compliance with the MFCU performance standards (42 CFR § 1007.17(c)(3)). The Virginia MFCU must also demonstrate effectiveness in using its resources to investigate and prosecute criminal Medicaid fraud cases and Medicaid patient abuse or neglect cases (42 CFR § 1007.17(c)(5)). Upon OIG's determination that the Unit has taken the actions necessary to comply with its regulatory requirements and made sufficient progress for the corrective actions listed below, OIG will remove the special condition and recertify the Unit.

1. Referrals:

The Unit must take steps to address the fraud referral deficiencies described in this letter. Specifically, within 30 days of the date of this letter, the Unit must provide to OIG an analysis addressing the cause of the lack of actionable referrals received by the Unit and an action plan that details the steps the Unit will take to address the quantity and quality of its referrals. The action plan must specify the referral entities with which the Unit will schedule regular meetings (at least monthly) and a description and targeted timeline for providing training or other information to the specified referral entities to encourage referrals. In addition, within 6 months of the date of this letter, the Unit must provide to OIG a progress report that details the steps the Unit has taken in accordance with its action plan and the number or percentage increase in referrals from each referral source over the last 6 months. OIG may provide feedback to the Unit on the action plan and progress report, as necessary. To obtain recertification, the Unit must do more than merely submit a plan for improvement and a progress report; it must also demonstrate significant progress toward addressing the referral deficiencies described in this letter.