



INSPECTOR GENERAL REPORT

2006-02-0067

May 21, 2008

REGENERATIONS FRAUD

Inspector General David Thomas and staff attorney Amanda Schaeffer, after an investigation by Special Agent Chuck Coffin and FSSA Investigators Chris Stanton and Kim Devoy, report as follows:

The Compliance Division of the Family and Social Services Administration (FSSA) and the Office of the Inspector General (OIG) commenced an investigation in the Spring of 2006 involving Varnador Kyle-Morris Sutton. Sutton was suspected of committing contract fraud while a state employee. In conjunction with the contract fraud, Sutton left state employment, and established and operated Regenerations, Inc. which was later suspected of committing additional criminal violations. Numerous persons were interviewed and a large amount of documentation was gathered during an in-depth investigation, which substantiated the fraud allegation.

On May 1, 2007, Auditor Diane Hedges-Darlington and Investigator Michael Barrientos of the Office of the Indiana Attorney General met with OIG Special Agent Chuck Coffin to discuss the OIG and FSSA Sutton Regenerations investigation. Hedges stated she and Barrientos were members of a joint state-federal taskforce comprised of the offices of the Indiana Attorney General, the Federal Bureau of Investigation and the United States Attorney. Unbeknownst to

the FSSA and OIG investigators, the taskforce had begun investigating Sutton for Medicaid fraud in the amount of \$2 - \$3 million dollars and requested to review Special Agent Coffin's investigative records to date.

The decision was made to suspend the OIG/FSSA investigation and to support the task force.

Sutton was the sole owner and operator of Regenerations, Inc., purportedly a mental health counseling agency employing various high and mid-level psychologists and counselors. The shell organization billed Medicaid for approximately \$40,000 in claims for psychotherapy services, but only a small fraction of these billed services were actually rendered. He submitted claims worth over \$9 million, and was paid over \$3.2 million by Indiana Medicaid.

During the course of the investigation, an accomplice was discovered. Antoinette Alexander, owner of Indiana Counseling, was determined to have received approximately \$270,000 for counseling services that were never rendered.

On July 11, 2007, Sutton and Alexander were indicted by a federal grand jury in the Southern District of Indiana.

On March 12, 2008, Varnador Sutton was found guilty as charged by a jury in the single count of health care fraud in federal court. Alexander later plead guilty to similar charges.

Dated this 21st day of May, 2008.



David O. Thomas, Inspector General