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**The Commonwealth of Massachusetts**  
**Office of the Inspector General**

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*Via Email*

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**Re: Fiscal practices at the Soldiers' Home in Holyoke and by its Board of Trustees**

Dear Secretary Poppe, Superintendent Lazo and Major General Keefe:

As you know, in April 2022 the Massachusetts Office of the Inspector General (Office) published its report, *Holyoke Soldiers' Home, May 2016 to February 2020*. That report stemmed from the Office's investigation into an anonymous complaint that included allegations relating to misuse of funds at the Soldiers' Home in Holyoke (Home).

As part of its investigation, the Office examined the Home's management and oversight of certain public and private funds that it received separately from the Legislature's annual appropriation for the Home's operations.

In this letter, the Office discusses four sources of funds that the Home received and managed from May 2016 to February 2020: donations, canteen income, proceeds from lottery sales and veterans' personal needs funds. The Office found that the Home and its Board of Trustees (Board) had poor governance and management across all four categories of funds. The Home and the Board had few internal controls and no segregation of duties relating to these funds.<sup>1</sup> Moreover, neither the Home nor the Board complied with their obligations under state law relating to public funds for the donations, canteen funds and lottery proceeds.

The Home and the Board managed the donations, canteen funds and lottery proceeds as though they were private funds being held, spent and managed by a private entity. However, the Home and the Board are public entities and these are state funds. Accordingly, the Home and the Board must comply with all applicable state laws. Furthermore, as stewards of public funds, both the Home and the Board must have transparency, accountability and internal controls consistent with the public trust.

Since February 2020, the Board engaged a public accounting firm to conduct a review and issue a report regarding the management of donated funds. The Board also created two new fiscal policies. However, the Home and the Board need to make comprehensive and holistic changes to the oversight of all the funds it receives, including ensuring that the Home and the Board comply with all state laws concerning the use of public funds. Consequently, the Office makes recommendations for the Home and the Board to ensure that they have proper authorization for these funds, create effective policies to govern these funds, and engage in best fiscal management practices to reduce the risk of fraud, waste or abuse of public and private funds.

Finally, a new law, discussed below, transitions both Massachusetts Soldiers' Homes (Homes) out of the Executive Office of Health and Human Services (EHS) in early 2023.<sup>2</sup> Until that time, the Office recommends that both the Department of Veterans' Services (DVS) and EHS, the agencies currently charged with oversight for the Home, take a more active role in overseeing and guiding the Home's and the Board's fiscal management practices.

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<sup>1</sup> Internal controls are the rules and procedures that ensure the integrity of financial and accounting information, promote accountability and help prevent fraud. Similarly, segregation of duties helps to prevent fraud by ensuring that at least two people perform the separate parts of any task. For example, segregation of duties requires that different people collect money, prepare deposits, document deposits and reconcile monthly bank accounts.

<sup>2</sup> The Governor recently signed House 5106, An Act relative to the governance, structure and care of veterans at the Commonwealth's veterans' homes.

## **I. Overview of management of public funds**

Generally speaking, all revenues that state agencies receive are public funds and are subject to specific state laws. For example, state law requires state agencies to send their revenue to the General Fund unless the agency has explicit statutory authorization to keep that revenue. The Commonwealth holds all revenue that it receives in the General Fund.

If an agency has statutory authorization to keep revenue, the agency must deposit the revenue in a financial institution that the Office of the Treasurer and Receiver General of Massachusetts (State Treasurer) has approved. The agency must also enter information about its accounts into the Massachusetts Management Accounting and Reporting System (MMARS), which is the official record of the Commonwealth for tracking public funds. If an agency has statutory authorization to keep revenue, it must also have statutory authorization, and direction about how to spend or invest that revenue. Moreover, even when an agency has the proper statutory authorization to keep and spend revenue, the agency must comply with state procurement laws when spending public funds.

If an agency receives donated funds, those donations are public funds. Accordingly, the agency must either have statutory authorization to keep the donations or it may ask the Secretary of the Executive Office of Administration and Finance (ANF) for permission to accept and spend those donations.<sup>3</sup> Otherwise, the agency must send the donations to the State Treasurer. The State Treasurer is responsible for investing these funds unless the agency has statutory authority to do so, in which case the agency must ask the State Treasurer to open an investment account on its behalf.

## **II. Donations to the Home**

Donations to the Home are public funds. Since 1992, the Legislature has included language in the budget that allows the Home to accept donations. However, the Legislature has not included authorization for the Home to retain, spend or invest those donations.<sup>4</sup>

As set forth below, the Office found that between mid-2016 and early 2020, the Home and the Board deposited, invested and spent donations without statutory authorization to do so. In addition, they did not comply with state finance laws and did not follow state policies or procedures for the maintenance and expenditure of public funds. The Office also found that the Home and the Board failed to consistently follow state procurement laws when they used donations to purchase goods or services.

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<sup>3</sup> Each cabinet secretary may “subject to the approval of the secretary of administration and finance, apply for and accept on behalf of the commonwealth any funds, including grants, bequests, gifts or contributions, from any person. Such funds shall be deposited in a separate account with the state treasurer and received by him on behalf of the commonwealth. All such funds may be expended by the secretary under chapter 29 [state finance laws] and any rules or regulations promulgated under that chapter.” M.G.L. c. 6A, § 6.

<sup>4</sup> Chapter 182 of the Acts of 2008, line 4190-1100.

The Home and its Board managed bank and investment accounts that held donations to the Home; between mid-2016 and early 2020, the Home held between \$1.5 and \$2.5 million in donated funds.<sup>5</sup> Over the years, the Home and the Board have viewed donations as “Board funds” and the Board has taken on the role of overseeing the donated funds. For example, the Board received monthly reports from the Home’s CFO about the invested funds and voted on large expenditures. The minutes from Board meetings reflect the longstanding view of the Home and the Board that the Board had the ultimate control over donations to the Home. However, the Board did not treat the donations as public funds, did not comply with state finance or procurement laws, and did not subject donations to the Home to any public controls or oversight. While the Board took on the role of controlling donated funds, the Home performed the day-to-day tasks associated with managing these funds, including depositing donations and receiving the monthly bank statements.

In 2019, the Board decided to engage a public accounting firm to conduct a review of the management of the donated funds.<sup>6</sup> This was the first review of the donated funds that the Office could identify. The accounting firm issued a report in September 2020 that included a series of findings. These findings documented poor recordkeeping, weak fiscal controls, no segregation of duties, confusion about whether and when to use donated funds, and the absence of a finance committee or any policies for the donated funds.

A. *Overview of donated funds.*

Between mid-2016 and early 2020, the Home and the Board did not have any policies regarding how to use donations. When people sent donations to the Home, the Home’s treasurer collected the donations and had them deposited into a checking account at a local bank. The treasurer recorded the donations in a spreadsheet that her predecessor had also used to track donations.

The spreadsheet included the amount of the donation and the donor’s name. The spreadsheet also included several categories for uses of the funds, including “recreation,” “care centers,” “chapel,” “greenhouse renovations,” “tree of life/paver,” “wish list,” “media/TV,” “OPD” (outpatient department), “island fund/facility improvement project,” “medical equipment” and “energy services.” There was no policy defining what these categories meant. When a donor requested that the Home use a donation for a specific purpose, the treasurer entered the donation in the category that the treasurer believed best fit the donor’s purpose (directed donations). The treasurer placed any donation that did not come with a specific purpose in the spreadsheet’s “legacy” category.<sup>7</sup> The Home did not retain receipts or other forms of documentation of the

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<sup>5</sup> The Legislature created the Board in 1948 to “manage and control the Soldiers’ Home in Holyoke and all property, real and personal, of the commonwealth that is occupied or used by the home.” M.G.L. c. 6, § 71.

<sup>6</sup> The public accounting firm used agreed-upon procedures about which the firm and the Board agreed at the start of the engagement.

<sup>7</sup> The Home no longer uses these categories and documents all donations in a single column on the treasurer’s spreadsheet.

donations, and as a result, there was no way to determine whether the spreadsheet accurately reflected the amount of the donation or the categorization of the donation.

B. Uses of directed donations.

Neither the Home nor the Board had a policy requiring the Home to use the directed donations for the purpose indicated on the spreadsheet. The Home's staff spent some of the directed donations in ways that appeared to be consistent with the categories on the treasurer's spreadsheet. For example, the Home's staff used recreation donations for entertainment for the veterans, care centers donations for direct care services that the Home provided to the veterans, chapel funds for flowers in the chapel, tree of life/paver donations for memorial plaques or stones for deceased veterans, and OPD funds for the Home's outpatient department.

However, the Board and the Home could not always use donations in a way that was consistent with the spreadsheet's categories. For example, during the time under review the Home did not actively use the funds in the following categories:

- The media/TV fund contained \$38,605.51, but its purpose was unknown;
- The greenhouse renovation fund contained \$10,861.97, but the Home had completed that project; and
- The island fund/facility improvement project contained \$103,173.43, but the Home had completed that project.

Other categories of funds that the Home did not actively use included:

- The wish list fund, which had a balance of \$76,774.02 as of February 2020;
- The medical equipment fund (\$20,574.71 balance as of February 2020); and
- The energy services fund (\$93,870.95 balance as of February 2020).

All told, the spreadsheet documented more than \$300,000.00 in directed donations that neither the staff nor the Board actively used during the time covered in the Office's review. The Home's staff determined that some of these categories were no longer applicable to the Home's needs, but the Home had no policy about how to use these funds and the Home's staff had no guidance about how to redirect these donations to a different purpose.

C. Examples of expenditures.

The Legislature provides an annual appropriation for the maintenance and operation of the Home. Consistent with the Legislature's appropriation language, the Home should use appropriated funds for the day-to-day maintenance and operation of the Home. However, neither the Home nor the Board had any policies or procedures that described when the Home should use donated funds instead of appropriated funds. The Office found that the Home used donated funds instead of its appropriated funds to purchase goods and services, such as:

- Repairs to and maintenance of equipment;
- Building permits;
- Flu vaccinations and competency evaluations for veterans;
- Paving roads on the Home's property;
- New beds;
- Payment of a Department of Environmental Protection fine;
- Police details for construction work;
- Veterans' satisfaction surveys; and
- Staff recruitment and advertising.

The lack of rules regarding the proper use of donated funds allowed the Home to use donations to pay for these items rather than appropriated funds.

The Board and the Home also used donated funds for expenditures that were unrelated to the veterans' direct care, including:

- Out-of-state travel for Home staff and Board members to attend conferences;
- Scholarships for children of the Home's staff;
- Membership dues for the local Chamber of Commerce;
- Board and volunteer appreciation events;
- Advertising for a nonprofit organization's fundraising events;
- Clothing for staff participating in veteran events; and
- Staff appreciation gifts and meals, including gift cards at the end of each year.

The Office also learned through its investigation that the Home and the Board did not create a short-term or long-term spending plan for the donated funds. For example, in 2019, the Home collaborated with the Chelsea Soldiers' Home and used donated funds for a preliminary analysis of an electronic medical records system (EMR) to replace both Homes' paper clinical files. Each Home paid \$100,000.00 for the EMR vendor between August and December 2019. After the Homes had spent these funds, an undersecretary from EHS stated in December 2019 that EHS did not have any funding to keep the EMR initiative going for that fiscal year. The EHS undersecretary offered that the two Boards could come up with funding to move the EMR project forward on their

own, but that otherwise, the Homes would have to wait and see whether EHS received funding for the project in the next fiscal year.<sup>8</sup>

D. Investment of donated funds.

Neither the Home nor the Board had written policies detailing how the Board expected the Home's chief financial officer (CFO) to maintain or invest the donated funds. At various points between mid-2016 and early 2020, the Home held the donated funds in checking and money market accounts at local banks as well as in investment accounts.<sup>9</sup> At various times over the years, the Board voted to change the financial institutions that held the funds, only some of which the State Treasurer had authorized state agencies to use. The signatories on these accounts changed as well; at different times the signatories included the Home's superintendent, deputy superintendent, CFO, treasurer and other members of the Home's fiscal staff. Toward the end of the time under review, the CFO was the only signatory on the investment account for donated funds.

E. Superintendent's use of donated funds without prior Board approval.

As stated above, neither the Home nor the Board had a written policy on the use of donated funds, including how much the Home's superintendent could spend without Board approval. Rather, the Board created rules on an *ad hoc* basis by voting at its meetings. For example, in 2016, the Board voted to increase the amount the superintendent could spend without prior Board approval from \$1,000.00 to \$5,000.00. In January 2020, the Board voted to reduce the amount the superintendent could spend without authorization to \$2,000.00 and to prohibit use of the debit or credit card linked to the accounts holding donations without Board approval. In March 2020, the Board voted to require two signatures on all checks from the accounts holding donations, including one from the treasurer and one from the Board chair.

F. Use of debit or credit card to spend donations.

Besides the *ad hoc* votes discussed above, the only policy concerning donated funds that the Board had from mid-2016 to early 2020 related to debit and credit card use. Created in April 2012, the Board Debit/Credit Card Usage Policy stated, among other things, that the Home could have only one debit or credit card that would access the donated funds, and that the Home's CFO would be the only person to whom the bank would issue that card. The policy also provided that before "any agent" of the Home used a debit or credit card linked to the accounts holding donated funds, that person had to complete a purchase order form and obtain approval from both the

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<sup>8</sup> The Holyoke Board asked EHS to refund the \$100,000.00 that it paid to the vendor. EHS reimbursed the money. As of the date of this letter, both Homes remain without an EMR, although DVS has selected a vendor to provide an EMR to both Homes.

<sup>9</sup> The donated funds were in a savings account at People's Bank that the Board closed in February 2020, a checking and money market account at Westfield Bank, and a Morgan Stanley Investment Account until the Board transferred those funds to UBS in February 2020.

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Home's CFO and superintendent.<sup>10</sup> During the time that the Office reviewed, the superintendent and the treasurer both had debit cards for the Board account, in violation of the policy.

G. Changes since the Office's review.

The Board has made several changes since the time covered in the Office's investigation. For example, in April and May 2021, the Board created a policy regarding the use of donated funds. Among other changes, the Board's policy provides that "[g]enerally, Trustee funds [*i.e.*, donations] shall only be used for uses that are of direct benefit to the patients of the Holyoke Soldiers' Home and are not primarily of a personal nature or personal benefit to non-patients, employees, volunteers or others." The policy further allows one member of the Board to approve purchases under \$2,000.00 but requires the entire Board to approve purchases over that amount. The policy also requires the Home's CFO to create an internal controls manual that addresses the use of the donated funds. Finally, the Board's new policy regarding the use of donated funds prohibits the use of debit cards, credit cards, point-of-sale withdrawals or other forms of electronic payment.

The Board also created a policy providing general guidance regarding the investment of donations. The new policy specifies that the Board's finance committee is responsible for the investment decisions for the donated funds. The policy also provides certain investment considerations, including guidelines for investment, performance measurement standards and expenditure considerations.

The Legislature has also taken action since the Office's investigation. It recently passed House 5106, An Act relative to the governance, structure and care of veterans at the Commonwealth's veterans' homes, which the Governor signed. This comprehensive law includes many provisions that will improve the governance and structure of both of the Commonwealth's soldiers' homes. For example, the law elevates the Secretary of Veterans' Services to the Governor's cabinet, requires the Department of Public Health (DPH) to inspect the homes twice per year, and mandates that the superintendents obtain DPH licensure for the homes as long-term care facilities.

This new law also contains two provisions regarding donations; however, neither of these provisions addresses the issues raised above. First, the law provides that the boards of trustees for each veterans' home:

[S]hall hold and administer in trust the property included in the "legacy fund" and the "effects accounts", if the transfer thereof to the commonwealth is effected pursuant to a decree of a court of competent jurisdiction and in accordance with the terms and conditions imposed by such decree.

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<sup>10</sup> During most of Superintendent Walsh's tenure at the Home, he and the treasurer had a credit or debit card for the account holding donations. DVS ordered the Home CFO to destroy these cards on February 19, 2020.



This language first appeared in a 1931 statute effectuating the Commonwealth's purchase of the Chelsea Soldiers' Home.<sup>11</sup> The impact of this language on the Home's and the Board's acceptance and management of donations is unclear, and as described in the recommendations below, the Home and the Board require further legislative action to continue to hold, invest and spend donations.

The new law further allows the superintendents of both Homes "to accept donations from non-profit organizations that enhance the well-being and care of residents of the home." The law also requires the superintendents to submit an annual report on:

[D]onation activity, including, but not limited to, an accounting of monetary donations, to the attorney general, the executive director of veterans' homes and housing, the secretary of veterans' services, the veterans' homes council and each state-operated veterans' home.

The new law does not address the issues around transparency and accountability in the day-to-day management of these donations and does not provide the necessary authorization for the superintendent to hold, invest or spend the donations. In short, as set forth below in the Office's recommendations, the Home and the Board will require additional legislative action to allow for the retention, investment and expenditure of all donated funds.

#### H. *Findings regarding the donated funds.*

Based on its review, the Office concluded the following about the use and oversight of donated funds, which are public funds, between mid-2016 and early 2020:

1. Although the Home has statutory authorization to accept donations, neither the Home nor the Board have statutory authorization to hold, invest or spend donated funds.
2. The Home and the Board did not comply with the state laws, regulations and policies that apply to the management and use of public funds, including (a) consistently using state-approved financial institutions; (b) providing information about the donated funds to the Comptroller and ANF; (c) linking bank accounts to the Comptroller's accounting management system, MMARS; and (d) complying with state procurement laws.
3. The Home and the Board did not have strong, documented internal control procedures relating to the maintenance and expenditure of the donated funds. Neither the Home nor the Board had policies about how to spend, direct, manage or invest the donated funds. The Board had only one policy for its funds, which related to a debit or credit card linked to the donated funds; staff at the Home violated this policy during the time under review.

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<sup>11</sup> Chapter 452 of the Acts of 1931.

4. The Home and the Board did not segregate duties for the donated funds. The treasurer accepted donations, deposited donations, reconciled the bank statements and tracked the spending on a spreadsheet.
5. The Home and the Board used donated funds to pay for activities that did not directly benefit the Home's veterans, such as donations to outside organizations, scholarships for the staff's children, and travel expenses for staff and Board members to attend conferences.
6. The Home and the Board used donated funds to pay for goods and services that could have come from state appropriated funds, such as facility repairs and an electronic medical records vendor.
7. The Home and the Board failed to consistently conduct public procurements when they used donated funds to purchase goods and services.
8. The Home and the Board did not conduct an audit or review of the donated funds until 2019.

### **III. Management of the canteen and lottery funds**

Between mid-2016 and early 2020, the Home had a canteen where veterans, their families and the Home's employees could buy breakfast and lunch items, as well as beverages and lottery tickets.<sup>12</sup> The canteen was a cash-only business. At the end of each day, the canteen staff collected the cash from the day's sales of food, beverages and lottery tickets.<sup>13</sup> The canteen staff also used the lottery machine to generate a summary of lottery sales. The following morning, the Home's treasurer would go to the canteen and pick up the lottery summary and the cash from the previous day's sales. The treasurer reconciled the lottery summary with the cash she collected from the canteen.

The Home maintained two bank accounts for canteen sales and one bank account for lottery sales; all three accounts were at Westfield Bank. After collecting the money from the canteen, the treasurer prepared deposits for the canteen and lottery bank accounts. She then directed one of the Home's employees to deposit the money at the bank.

In February 2020, the Home had \$94,185.40 in the canteen checking account and \$52,138.59 in the canteen money market account.<sup>14</sup> The Home used money from the canteen checking account to buy food and goods to sell at the canteen. The Home appeared to have used the canteen money market account as a savings account; during the period of the Office's review, the Home did not withdraw money from this account.

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<sup>12</sup> The canteen sold breakfast and lunch items, including egg sandwiches, donuts, hamburgers and soup.

<sup>13</sup> The Home paid the salary and benefits for the employees who staffed the canteen with appropriated money it received from the Legislature.

<sup>14</sup> The Home spent and deposited roughly the same amounts each month. The Home had no policy requiring the purchase of canteen supplies to comply with state purchasing law.

The Home did not have statutory authorization to operate the canteen, to spend money it received from canteen sales, or to maintain the canteen bank accounts. The Home did not report about these accounts to any state agency, including the Comptroller or ANF, both of which have oversight responsibilities for all state funds. The Home did not use the Commonwealth's accounting system, Massachusetts Management Accounting and Reporting System (MMARS), to track these accounts, which is a requirement for all state agencies that maintain bank accounts that hold state funds.

Also in February 2020, the Home had \$179,535.61 in the lottery checking account. The Massachusetts State Lottery Commission periodically debited its commission from that account. Other than these weekly debits, withdrawals from the lottery account were rare. As with the canteen account, the Home did not report to the Comptroller or ANF about this account, and it did not track this account in MMARS.

*Findings regarding the canteen and lottery funds.*

The Office concluded that between mid-2016 and early 2020:

1. The Home did not have statutory authorization to operate the canteen, including retaining or spending money from its operation.
2. The Home did not have statutory authorization to create or maintain the canteen bank accounts.
3. The Home did not comply with the state laws, regulations and policies governing the management and use of public money for the canteen and lottery funds.
4. The Home's staff did not engage in any formal reporting about the canteen or lottery accounts to the Comptroller or ANF, both of which have oversight responsibilities for state funds.
5. The Home did not track the canteen or lottery accounts in the Commonwealth's accounting system, MMARS.
6. The Home did not report any information about these accounts to either the Department of Veterans' Services (DVS) or the Executive Office of Health and Human Services (EHS), both of which are currently responsible for overseeing the Home's operations.
7. The Home did not segregate duties for the canteen and lottery funds, and no one at the Home reviewed or audited the treasurer's work.
8. The Home had no policies governing how it should maintain the canteen or lottery finances or bank accounts.

**IV. Veterans' personal need funds**

Every veteran who lives at the Home can choose to entrust the Home with money – referred to as “personal needs funds” – to pay for personal amenities, such as barber or laundry services, for that veteran. If a veteran chooses not to have a personal needs fund, the Home requires them to pay in advance or at the time they receive the third-party services.

Federal regulations allow the Home to maintain personal needs funds; the regulations also govern how the Home must manage the personal needs funds. These regulations require the Home to deposit personal needs funds in an interest-bearing account that is separate from its operating account.<sup>15</sup> Consistent with this requirement, between mid-2016 and early 2020 the Home maintained a separate bank account at Westfield Bank to hold the personal needs funds (personal needs account).<sup>16</sup>

The Home had a policy governing how the Home managed the personal needs funds, which are private (not public) funds. The policy provided that the Home's treasurer was responsible for overseeing the personal needs account, including having veterans sign an authorization statement, ensuring that veterans maintained the proper minimum balance and providing the veterans with a report documenting their fund balances. The policy also required the Home to document monthly the interest that each veteran's funds earned.<sup>17</sup> Finally, the policy required the treasurer's office to maintain financial records related to the return of funds to veterans or their families when the veteran no longer lived at the Home.

Although the Home complied with the federal regulation and maintained a separate bank account for the personal needs funds, the Home's maintenance and management of the personal needs funds were not transparent. No one from the Home reported any information about this account to the Comptroller or ANF. Similarly, no one from the Home reported information about the personal needs account to either EHS or DVS. The only oversight for this account occurred when the United States Department of Veterans Affairs (VA) periodically reviewed the spreadsheet that tracked the funds in this account. During the time under review, the VA did not find any irregularities with the personal needs account.

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<sup>15</sup> Federal regulations governing veterans' homes require a veterans' home to deposit any resident personal funds of more than \$100.00 in an interest-bearing account that is separate from the home's operating account. The veterans' home may pool the funds but must keep a separate accounting for each veteran. 38 C.F.R. 51.70(c).

<sup>16</sup> The Home's staff recommended that veterans receiving long-term care maintain a minimum balance of \$500.00 in their personal needs account; for veterans living in the dormitory, the recommended minimum balance was \$300.00.

<sup>17</sup> The treasurer and her staff calculated the interest by first determining the amount of interest that the bank had paid to the account each month. The treasurer and her staff then distributed interest to each veteran's account based on the average daily balance of their account for that month. The treasurer and her staff stopped distributing interest to a veteran's account if no one claimed it for three years following the discharge or death of a veteran. After three years, the Home reported any unclaimed balances to the State Treasurer's unclaimed property division.

Findings regarding the personal needs funds.

Through its review, the Office concluded that between mid-2016 and early 2020:

1. No one at the Home audited or reviewed the personal needs account. The VA annually reviewed documentation of the personal needs account, but no state agency reviewed or audited this account.
2. The Home's staff did not engage in any formal reporting about the personal needs account to the Comptroller or ANF.

**V. Recommendations and Conclusion**

In response to an anonymous complaint that included allegations relating to misuse of funds at the Home, the Office reviewed certain of the Home's and the Board's fiscal practices that occurred between May 2016 and February 2020. Since the time of the Office's review, there have been changes at the Home. For example, the Home closed the canteen in 2020 due to the pandemic, and it has just recently reopened. The Board has new members and has created new committees and policies. Moreover, the Legislature passed a bill, which the Governor signed, that will improve the governance and structure of the Home and its Board. As the Home and the Board move forward, the Office makes the following recommendations to improve the transparency of and accountability for the funds that the Home and the Board manage:

**A. Public funds.**

1. With the exception of the veterans' personal needs funds, donations and other monies discussed above are public funds. Consequently, the Home and the Board must comply with all state laws, regulations and policies that apply to receiving, holding, spending and investing public funds.

**B. Statutory authorization.**

1. The Home must work with the Legislature to ensure that it has statutory authorization to operate the canteen, to maintain the canteen bank accounts and to use those funds to purchase items to sell in the canteen.
2. If EHS, DVS, the Home and the Board decide that the Home should continue to accept donations, they must ask the Legislature to provide the necessary statutory authorization for the Home to hold and spend donated funds.
3. EHS, DVS, the Home and the Board should meet with the Comptroller and ANF to determine whether the donated funds should be invested, and if so, which entity should manage the investments. If the Home and the Board should invest the donated funds, they must ask the Legislature to provide the necessary statutory authorization.

**C. Oversight agencies.**

1. The Home and the Board must work with the Comptroller to link all bank and investment accounts that they maintain with MMARS.

2. The Home and the Board must comply with all state finance laws, regulations and policies, including those that require reporting to the Comptroller and ANF.
  3. The Home should consult with the Comptroller and ANF to determine the role these fiscal oversight agencies should play in the maintenance of the personal needs funds.
  4. As the agencies responsible for the Home's operations, EHS and DVS should oversee and guide the Home and the Board regarding their statutory authority, the proper use of public funds and appropriate fiscal controls.<sup>18</sup> They should also monitor the Home's need to use donations for operational issues.
- D. Fiscal best practices.
1. The Home and the Board must segregate duties for the funds they oversee. This requires that different people perform different functions, such as collecting, depositing and reconciling funds and accounts.
  2. The Home and the Board should engage an independent public accountant to conduct periodic audits or reviews of any bank or investment accounts that they maintain to minimize the risk of financial irregularities or fraud.
  3. The Home and the Board should have written policies governing the maintenance and oversight of any funds that they oversee. The Home's staff and the Board members should comply with these policies and Board members and staff must be accountable for their compliance.

A fundamental aspect of a state agency's fiscal accountability is its compliance with state finance law, regulations and policies. As state entities, the Home and the Board must comply with all applicable fiscal laws, regulations and policies, and they must comply with state reporting requirements. The Home and the Board should also improve their fiscal controls and policies. The Board has started this process by creating new fiscal policies, but the work should continue to ensure that the Home and the Board fully comply with their obligations under state law.

Sincerely,



Glenn A. Cunha  
Inspector General

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<sup>18</sup> As discussed above, in early 2023 the Home will no longer be part of EHS.