

August 19, 2024

Via Electronic Mail

Chad Lovett
Town Administrator
Town of Blackstone
15 Saint Paul Street
Blackstone, MA 01504
clovett@townofblackstone.org

Judy Decasse
President
Friends of Blackstone Council on Aging
15 Saint Paul Street
Blackstone, MA 01504
jdecasse0719@gmail.com

**Re: Former Blackstone Council on Aging Director's Improper Fiscal Relationship
with Associated 501(c)(3) Organization**

Dear Mr. Lovett and Ms. Decasse:

The Office of the Inspector General (OIG) received a complaint in March 2022 alleging that the former director of the Blackstone Council on Aging (Council on Aging) made suspicious use of funds raised by the Friends of Blackstone Council on Aging (FBCoA). The OIG opened an investigation to review both a possible misuse of Council on Aging funds and a possible abuse of one's public position. During this process, the OIG collected and reviewed records such as bank records, payroll records, and invoices. The OIG also interviewed several individuals, including current and former town employees and Blackstone residents.

According to its mission statement, the purpose of the Council on Aging is to "advocate, plan, coordinate, and provide comprehensive day-to-day services for Blackstone residents aged 60 and over and to provide services to residents under the age of 60 with disabilities."¹ To accomplish this, the Council on Aging collaborates with the FBCoA, a 501(c)(3) nonprofit organization that fundraises and collects donations to support the services and programs of the Council on Aging and the Blackstone Senior Center, beyond those amounts already funded through the town's appropriations. As you are aware, the town's budgeted funds allocated to the Council on Aging are separate from funds raised by the FBCoA and should be controlled independently.

¹ See <https://www.townofblackstone.org/242/Senior-Center>.

The former director of the Council on Aging held that position from 2012 to 2021. Some FBCoA members and town employees stated that the former director was simultaneously the president of the FBCoA for some of those years.² In an interview with the OIG, the former director denied being the president or an officer of the FBCoA. At no time should the identity of officers of a 501(c)(3) organization such as the FBCoA be ambiguous.

The OIG reviewed FBCoA bank records from May 1, 2015, to December 31, 2018, which revealed frequent ATM cash withdrawals totaling \$5,230.³ Two withdrawals totaling \$310 were made at Twin River Casino. The records also reflected purchases at CVS Pharmacy and Amazon totaling \$1,740.23. In interviews, individuals with knowledge of FBCoA activities indicated that they were not generally aware of any items being purchased for FBCoA or the senior center. Nor were they aware of any FBCoA purpose underlying the CVS or Amazon expenditures. They also stated that no organized trip for seniors to Twin River Casino ever occurred. In an interview, the former director told investigators the FBCoA took the seniors on at least one trip to Twin River Casino, but the seniors used their own funds at the casino.

Interviews with some FBCoA members and officers and former town employees revealed that, based on their estimates of funds raised by the FBCoA, the FBCoA bank account should have held approximately \$12,000 when the new director took over. However, the account held only \$700 when the former director's successor arrived. The OIG's review of bank account statements showed \$12,501.40 in the FBCoA account on August 31, 2016. On December 31, 2018, the account's remaining balance was \$787.16.

Although the former director claimed never to be an officer of the FBCoA, the former director told investigators that she managed some FBCoA funds as the director of the Council on Aging. The former director stated that checks were sometimes written to "Cash" or in her name to purchase items needed by the Council on Aging. The former director stated that on other occasions, the FBCoA provided cash for purchases.

The OIG found poor fiscal recordkeeping at the FBCoA, with no invoices or bank statements, during the former director's tenure. Without supporting documentation, the OIG had difficulty verifying that purchases and withdrawals made from the FBCoA account were for an express FBCoA purpose, or even for a Council on Aging purpose. The former director told OIG investigators that every FBCoA and Council on Aging purchase had receipts and supporting documentation, but the former director's successor was unable to locate any receipts or supporting documentation. Additionally, it does not appear that the FBCoA had strong fiscal controls in place

² FBCoA was not an active 501(c)(3) tax-exempt organization during some of the years at issue. FBCoA's federal tax-exempt nonprofit status was automatically revoked on May 15, 2018, for failure to file a Form 990-series return for three consecutive years from 2015 through 2017. The Internal Revenue Service reinstated FBCoA's tax-exempt status on August 22, 2023.

³ The OIG requested FBCoA bank records from May 1, 2015, to April 12, 2022, but as the account reflected no activity after December 31, 2018, reviewing statements after that date was unnecessary.

to prevent misspending of nonprofit and public charity funds. Significantly, the FBCoA did not segregate duties and lacked independent oversight.

The OIG also found that the FBCoA was too closely intertwined with the Council on Aging due to the former director's apparent simultaneous roles as president of the FBCoA and director of the Council on Aging. The OIG believes that good governance dictates a separation between town employees and officers of town-affiliated 501(c)(3) organizations. In fact, both the Massachusetts state employee conflict of interest law (M.G.L. c. 268A) and the Massachusetts law governing charitable organizations (M.G.L. c. 180) are at odds with Blackstone's arrangement due to the apparent and actual conflicts of interest that arise as a result.^{4,5}

Prospectively, the OIG recommends that Blackstone's town leadership create new policies to increase oversight, strengthen internal control measures, and prevent the misspending of funds. The town of Blackstone should:

- (1) Document the number of town-affiliated nonprofits that exist across the town, school department, and other governmental subdivisions and ensure that the town maintains a list of nonprofit leadership and contact information, to be updated at least annually;
- (2) Enact a policy prohibiting town employees from being fiscal officers for nonprofits associated with their department or agency. Such a policy would help prevent potential conflicts of interest and guard against possible abuse of position or financial impropriety by a town employee; and
- (3) Require town departments to keep detailed records of their financial transactions by retaining invoices, receipts, and other financial records. Further, the town should designate a municipal official from its treasurer's office to review the spending of departments to ensure that their spending is consistent with each department's purpose and mission.

The OIG also recommends that town-affiliated 501(c)(3) organizations create new policies to promote transparency. Town-affiliated 501(c)(3) organizations should enact policies that:

- (1) Require more than one officer to have access to an organization's bank account. That policy should also require that more than one officer authorize organizational expenditures and should include control procedures and reconciliation reviews;
- (2) Require the organizations to disclose the identities of their board members to their affiliated towns; and

⁴ M.G.L. c. 268A, §§ 3, 6, 23(b)(2), 23(b)(3), 26.

⁵ M.G.L. c. 180, § 6C.

- (3) Require the organizations to keep detailed records of their financial transactions by retaining invoices, receipts, and other financial records.⁶

Establishing the aforementioned controls should promote fiscal accountability for both municipalities and nonprofits, helping to ensure that their respective funds are managed in a financially sound manner consistent with their intended use.

Within 60 days of receiving this letter, please notify this office in writing of your plans to implement the recommendations herein or of any steps taken thus far.

If you have any questions, please contact me or George A. Xenakis, director of the OIG's Audit, Oversight and Investigations Division, at 617-722-8853 or at George.Xenakis@mass.gov.

Thank you for your immediate attention to this matter.

Sincerely,



Jeffrey S. Shapiro, Esq., CIG
Inspector General

cc (by email):

Daniel Keefe, Vice Chair, Blackstone Select Board
Mike Sweeney, Clerk, Blackstone Select Board
Mary Bulso, Member, Blackstone Select Board
Tanya Polak, Member, Blackstone Select Board
Jonathan Green, Chief, Non-Profit Organizations/Public Charities Division, AGO
Eugenia M. Carris, General Counsel, OIG
George A. Xenakis, Director, Audit, Oversight and Investigations Division, OIG
Nataliya Urciuoli, Senior Executive Assistant, OIG

⁶ See <https://www.mass.gov/doc/charities-guidance/download> for additional guidance for board members of charitable organizations.