

AUDITOR GENERAL REPLY TO AGENCY RESPONSE

The following comments are provided to address certain statements the Department of Veterans' Services (Department) made related to Finding 1, Recommendation 1.1, regarding the Veterans' Donations Fund (donations fund):

1. The Department states that the Auditor General's conclusion that some expenditures did not benefit Arizona veterans is the opinion of the Auditor General and that the Auditor General did not show that the expenditures did not benefit Arizona veterans or serve a public purpose. The Auditor General's findings and conclusions are based on a review of available department documentation and applicable Arizona laws and regulations, not opinion. The responsibility rests with the Department, not the Auditor General, to show whether donations fund expenditures benefited Arizona veterans and served a public purpose. The Auditor General disagrees that all donations fund expenditures reviewed by auditors either directly or indirectly benefited Arizona veterans. For example:
 - a. The Department asserts that its expenditure of \$10,000 to a national nonprofit organization indirectly benefited Arizona veterans because it helped to establish two veterans' drug treatment courts in Arizona (see page 1 of the Department's response). According to the Department, these monies were used to bring a national expert to the State for this purpose. However, as noted on page 8 of the report, the funding request stated that the monies would be used to support new and existing veterans' drug treatment courts nation-wide and to help other states develop legislation to support this program. In addition to these discrepancies, the Department lacks documentation to show how the \$10,000 was actually spent.
 - b. The Auditor General disagrees that the Department's expenditure of donations fund monies to pay investigation and disciplinary proceeding costs to the Arizona Supreme Court benefited Arizona veterans (see page 2 of the Department's response). As noted on page 8 of the report, these costs resulted directly from the Department's mismanagement of its fiduciary program and failure to fulfill its fiduciary responsibility to its clients—Arizona veterans. Thus, the Department asserts that its spending of donations fund monies benefited Arizona veterans because it failed to benefit Arizona veterans through its fiduciary program.