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The Departments' Mismanagement of the Veterans Home Properties Has Not Served the Veterans' Best Interests and Has Been Detrimental to the State

Background

California disabled veterans or veterans over 55 years of age can apply for residence in one of eight veterans homes across the State. Each home provides different levels of care and range in size—one sits on more than six hundred acres. An administrator manages the day-to-day operations of each home while the California Department of Veterans Affairs (CalVet) oversees all the homes across the State. CalVet can lease land and allow the lessee to construct one or more buildings to suit its needs, or it can lease out existing facilities or office spaces. Rental fees are required to supplement the funding the homes receive, including for the care of veterans residing at that specific facility. Any agreement or lease for veterans home properties requires approval from the Department of General Services (DGS)—the State's procurement office. We examined CalVet's leases and other third-party uses of state property of the veteran homes.

Key Findings

- CalVet and DGS entered into agreements that do not align with state law or are not in the best interests of the home—some of the 11 leases we reviewed provide little to no direct benefit to the home or its residents.
 - » Some leases included provisions that do not allow the State to terminate at its discretion.
 - » Some leases exceed the five-year limit per state law and do not provide services that fulfill an apparent need of the veteran residents.
- Four entities occupied space at the Yountville home without written lease agreements, CalVet's employee housing leases do not adequately protect the State from legal and financial liability, and one executive received inappropriate housing benefits.
- Neither CalVet nor DGS adequately oversaw rental fees and payments—some of the rental rates we reviewed were significantly below the current market rate, and employee housing rental rates were over \$150,000 below market rent.
- Because DGS deposited lease revenue in the wrong fund and CalVet did not ensure it received the appropriation the homes were entitled to, CalVet lost over \$500,000 in funds that should have gone to the veterans homes.
- CalVet allowed third parties to use the veterans home properties without protecting the State from liability or collecting fees that could benefit veterans—CalVet did not know that events such as a film festival and fun runs were happening on its properties without written agreement.

Key Recommendations

- The Legislature should require CalVet to define the short-term uses that are in the best interests of the home, include in all short-term agreements conditions that protect the State's interests, and prohibit any uses that do not meet the best interest of the home.
- CalVet should do the following:
 - » Implement policies that ensure leases comply with state law.
 - » Report all lease proceeds and request appropriation of those funds to veterans homes.
 - » Include terms in its employee housing leases that protect the State and ensure rental rates are consistent with market rates.
- DGS should work with CalVet to define what constitutes the best interests of the homes and deny requests for leases that do not meet those criteria; document its assessment of market value on all home properties and set rental rates at market rent; and report lease proceeds to ensure proceeds are directed to the veterans homes.