

Office of the Auditor General
Performance Audit Report

Michigan Veterans' Facility Authority
Department of Military and Veterans Affairs

September 2025

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

The auditor general may make investigations pertinent to the conduct of audits.



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Office of the Auditor General

Report Summary

Performance Audit

Michigan Veterans' Facility Authority (MVFA)

Department of Military and Veterans Affairs (DMVA)

Report Number:
512-0150-24

Released:
September 2025

MVFA was established by Public Act 560 of 2016 to provide general oversight and governance of the Michigan Veteran Homes (MVH) and veterans' facilities in the State. MVFA is administered under the supervision of DMVA and exercises its prescribed statutory powers, duties, and functions independently as an autonomous entity within DMVA. The MVFA Board of Directors (Board) delegated authority to manage all day-to-day operations of veterans' facilities to the MVH Central Leadership Team (CLT). Michigan's three veterans' facilities are located in Chesterfield Township, Grand Rapids, and Marquette and can serve approximately 380 veterans and eligible dependents. This performance audit was required by Section 36.112 of the *Michigan Compiled Laws*.

Audit Objective			Conclusion
Objective 1: To assess the effectiveness of MVFA's efforts to establish a system of governance for Michigan veterans' facilities.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
The Board had not conducted an annual performance evaluation of its executive director since May 2022 (Finding 1).		X	Agrees

Audit Objective			Conclusion
Objective 2: To assess the sufficiency of MVFA's efforts to establish a system of oversight to preserve the health and welfare of Michigan veterans' facility residents.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Although MVH policy briefly outlines CLT's key responsibilities, CLT had not yet fully developed policies and/or procedures defining them, how they are carried out, and the related controls to ensure MVH achieves its objectives and goals, foremost being to provide oversight of veterans' facilities (Finding 2).		X	Agrees

Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Both the Michigan Veterans' Facility Ombudsman and State Long-Term Care Ombudsman have authority to perform investigations in veterans' facilities. We encourage an evaluation of how to best utilize the two organizationally separate and independent ombudsman roles to help ensure concerns of residents and others are heard and resolved (<u>Observation 1</u>).	Not applicable for observations.		

Audit Objective			Conclusion
Objective 3: To assess MVFA's compliance with select statutory reporting requirements.			Partially complied
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
CLT did not ensure all statutory reports, including annual reports, quarterly reports, abuse and neglect reports, and for-cause survey results reports, were complete, accurate, and timely submitted (<u>Finding 3</u>).		X	Agrees

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Doug A. Ringler, CPA, CIA
Auditor General

September 5, 2025

David Henry, Chair
Michigan Veterans' Facility Authority
and
Anne Zerbe, Executive Director
Michigan Veteran Homes
and
Major General Paul D. Rogers, Director
Department of Military and Veterans Affairs
3411 North Martin Luther King Jr. Boulevard
Lansing, Michigan

Chair Henry, Executive Director Zerbe, and General Rogers:

This is our performance audit report on the Michigan Veterans' Facility Authority, Department of Military and Veterans Affairs. This performance audit was required by Section 36.112 of the *Michigan Compiled Laws*.

We organize our findings and observations by audit objective. Your agency provided the preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

SYSTEM OF GOVERNANCE FOR MICHIGAN VETERANS' FACILITIES

BACKGROUND

Public Act 560 of 2016 (Act) created the Michigan Veterans' Facility Authority (MVFA) as the oversight body within the Department of Military and Veterans Affairs (DMVA), providing general oversight and governance of the Michigan Veteran Homes* (MVH) and veterans' facilities* in the State (see Exhibit 1). MVFA is administered under the supervision of DMVA but exercises its prescribed statutory powers, duties, and functions independently as an autonomous entity within DMVA (see Exhibit 2).

MVFA exercises its duties through a 10-member Board of Directors (Board) serving 4-year terms. Nine of the members must have professional knowledge, skill, or experience in long-term care, health care licensure, finance, or medicine. The 10th non-voting member is the DMVA director or their designee. Additional requirements for the composition of the Board are as follows:

- Three members are appointed by the Governor with the advice and consent of the Senate and represent the interests of one or more congressionally chartered veterans' organizations.
- Three members are appointed by the Governor with the advice and consent of the Senate, one of whom shall be a resident of the Upper Peninsula.
- One member is appointed by the Governor from a list of two or more individuals selected by the majority leader of the Senate.
- One member is appointed by the Governor from a list of two or more individuals selected by the speaker of the House of Representatives.
- One member is appointed by the Governor with the advice and consent of the Senate and is a veteran.

The Board is required to create its own policies and procedures and conduct all business at public meetings held in compliance with the Open Meetings Act. The Board is also required to appoint a five-member Appeals Board responsible for hearing all appeals regarding veterans' facility admission decisions, involuntary dismissals, and requests for internment at an MVH cemetery.

The Board makes a recommendation to the Governor for whom to appoint as the executive director. The executive director is required to administer the business operations of MVH, veterans' facilities, and MVFA and is subject to an annual performance evaluation by the Board.

** See glossary at end of report for definition.*

AUDIT OBJECTIVE

To assess the effectiveness* of MVFA's efforts to establish a system of governance for Michigan veterans' facilities.

CONCLUSION

Effective.

**FACTORS
IMPACTING
CONCLUSION**

- The Board:
 - Had member positions filled as of June 30, 2025.
 - Recommended appointment of an executive director.
 - Established bylaws and Board member policies, such as powers and duties, conflict of interest, and delegation of day-to-day management to the Central Leadership Team* (CLT) which is led by the executive director, and an executive director evaluation process, among others.
 - Held meetings regularly, at least four times a year, and in each meeting the executive director (or designee) and various CLT members provided pertinent information to the Board.
 - Created an Appeals Board as required by the Act.
- Reportable condition* related to the Board not performing annual performance evaluations of the executive director (Finding 1).

* See glossary at end of report for definition.

FINDING 1

The Board needs to complete annual performance evaluations of MVH executive director.

The Board did not complete its annual performance evaluation of the MVH executive director, as required. As of July 2025, the last full performance evaluation was completed in May 2022. An annual review would help the Board ensure it is consistently governing veterans' facilities in accordance with its vision to be one of the nation's leading providers of long-term skilled nursing care and services for veterans.

The MVH executive director leads CLT in day-to-day operations of the veterans' facilities and, through delegation from the Board, ensures the intent of the Board is carried out. The Board's policy requires an evaluation of the executive director each calendar year to help provide assistance and guidance for the executive director to achieve the highest degree of leadership success. The evaluation is a 3-part process, including a self-assessment, the Board's evaluation, and a 360-evaluation incorporating input from DMVA's director, community members, and those who work under the executive director, among others. Through the evaluation process, the Board is able to provide recommendations to the executive director for future performance goals.

The Board stated it did not perform an annual performance evaluation because it determined the initial process developed was too time-consuming to perform on an annual basis and it had not yet formalized a revised process. CLT indicated the Board conducted an abbreviated form of the performance evaluation in September 2024 and a full performance evaluation was underway as of July 2025.

RECOMMENDATION

We recommend the Board complete required annual performance evaluations of the MVH executive director.

AGENCY PRELIMINARY RESPONSE

MVFA provided us with the following response:

MVFA agrees with the recommendation.

- a. As directed by policy, the Board initiated a Standard Performance Review (SPR) for 2025 with the appointment of a Performance Evaluation Committee (PEC) on March 18, 2025. Since the initiation of the SPR in March 2025, the PEC confirmed that resource availability remains a significant contributing factor undermining the Board's ability to complete the SPR. Specifically, the compilation of the information necessary to support the 360 performance assessment format of the SPR exceeds the capacity of a Board that serves on a volunteer basis.*

- b. To address this, the Board procured an outside vendor for coordination and support of the SPR in July 2025, with a goal that the independent contractor will provide a report of feedback for the SPR in 2025. The Board will review the report in subsequent PEC and Board meetings with the goal of finalizing and adopting the SPR in early 2026.*
- c. The Board will update Board Policy MVFA-GEN-015 Executive Director Evaluation Process to reflect any changes in the performance review schedule and process.*

SYSTEM OF OVERSIGHT TO PRESERVE THE HEALTH AND WELFARE OF MICHIGAN VETERANS' FACILITY RESIDENTS

BACKGROUND

The Board delegated the authority to manage all day-to-day operations of veterans' facilities to MVH's CLT. An appointed executive director leads CLT to ensure the intent of the Board is carried out, with the current executive director serving in this role since September 2019. CLT is composed of 14 individuals, including 3 veteran home administrators who have relevant education and experience, such as nursing home management and administration (see Exhibit 3). CLT established its responsibilities to include oversight of resident care and services, reviews of policies and procedures governing facility operations, and performance of annual home assessments, among others.

AUDIT OBJECTIVE

To assess the sufficiency of MVFA's efforts to establish a system of oversight to preserve the health and welfare of Michigan veterans' facility residents.

CONCLUSION

Sufficient, with exceptions.

FACTORS IMPACTING CONCLUSION

- CLT:
 - Consisted of individuals with relevant education, experience, and licensure, where applicable, for their respective position.
 - Developed and/or modified over 600 MVH policies to help ensure consistent operations at all veterans' facilities related to administration, business operations, clinical care and resident plan assessment, infection control, and emergency preparedness, among others.
 - Completed the applicable annual reviews of all sampled MVH policies.
 - Performed certain oversight and monitoring activities, such as monitoring staffing levels, evaluating clinical compliance, and performing annual informal surveys of the three veterans' facilities.
 - Led efforts to build and open two new facilities in Chesterfield Township and Grand Rapids and had secured funding to build a new facility to replace the existing Michigan Veteran Homes D.J. Jacobetti facility in Marquette.

- Under CLT's oversight, all three veterans' facilities:
 - Obtained an overall 5-star rating for their Centers for Medicare and Medicaid Services (CMS) certifications.
 - Obtained and/or maintained their U.S. Department of Veterans Affairs (USDVA) certifications.
- Reportable condition related to lack of policies and procedures outlining CLT's responsibilities and associated controls (Finding 2).

FINDING 2

Policies and/or procedures needed to establish CLT's responsibilities and associated controls.

CLT should fully develop and implement policies and/or procedures establishing its responsibilities and associated controls to ensure MVH achieves its objectives* and goals*, foremost being to provide oversight of veterans' facilities. Also, written policies and/or procedures will help ensure operational continuity in instances of CLT employee departures or retirements.

Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (Green Book) was adopted by the State of Michigan and sets internal control* standards to achieve objectives related to operations, reporting, and compliance. Principles 10 and 12 of the Green Book require management to develop and implement policies to establish responsibilities and the associated control activities for operational processes and require periodic review of policies and procedures for continued relevance and effectiveness. Principle 2 indicates the oversight body is responsible for overseeing management's design, implementation, and operation of the entity's organizational structure to ensure the processes necessary to enable the oversight body to fulfill its responsibilities exist and are operating effectively.

MVH policy briefly outlines CLT's key responsibilities as shown in the following table:

MVH Policy Excerpt Regarding CLT Responsibilities
<p>The CLT is responsible for, but is not limited to:</p> <ul style="list-style-type: none">(a) Oversight of care and services in accordance with professional standards of practice and principles.(b) Establishment and ongoing review of all administrative programs governing the homes management and operations, including: compliance and ethics program, emergency preparedness and response program, quality assurance and performance improvement program, and staff orientation, training, and development programs.(c) Creation of and participation in annual (or as needed) home-wide assessments.(d) Establishment and annual review of policies governing operations of the homes, and oversight of the development of homes-specific procedures.(e) Provision of a safe physical environment equipped and staffed to maintain MVH homes and services. <p><i>Table continued on next page.</i></p>

* See glossary at end of report for definition.

**MVH Policy Excerpt Regarding CLT Responsibilities
(Continued)**

- (f) Establishment and implementation of a mechanism for approval of the qualifications, status, and privileges of practitioners who may be appointed to the medical staff, including requirements for admission to staff and retention of privileges.

Source: MVH ADMIN-GOV Policy 1.1.002 dated October 23, 2023

We noted CLT had not yet fully developed policies and/or procedures defining these responsibilities, how they are carried out, and the related internal control. For example, a primary charge delegated to CLT by the Board, and reflected broadly in existing MVH policy, is oversight of veteran care and services. Our review showed CLT performed certain oversight and monitoring activities, such as monitoring staffing levels, evaluating clinical compliance, and performing annual informal surveys of the homes. However, these activities were not included in written policies or procedures and, therefore, likely contributed to the varying documentation practices we observed in our review. Considering CLT's unique role and the many ways oversight can be carried out, implementation of written policies and/or procedures would establish clear expectations, improve consistency and efficiency*, and promote accountability, among others, in CLT's oversight of the veterans' facilities and day-to-day operations and allow for improved oversight of CLT by the Board.

CLT stated it had not yet fully developed and formalized policies and/or procedures related to CLT's activities primarily because of competing priorities and limited resources, placing priority on areas related to resident health and safety, such as opening two new veterans' facilities and ensuring the facilities' compliance with CMS and USDVA regulatory requirements.

RECOMMENDATIONS

We recommend CLT develop and implement policies and/or procedures establishing its responsibilities and associated internal control.

We also recommend the Board consider review and approval of CLT policies and/or procedures to help ensure CLT is carrying out the intent of the Board.

**AGENCY
PRELIMINARY
RESPONSE**

MVFA provided us with the following response:

MVFA and MVH agree with the recommendation.

- a. *With respect to Recommendation 1, MVH is reviewing and updating, as appropriate, CLT working position descriptions to ensure they accurately reflect the current responsibilities of the positions.*

* See glossary at end of report for definition.

- b. In addition to the detailed working position descriptions, MVH is developing procedures, in the form of position-specific desk manuals, that outline the primary responsibilities and expectations associated with each position, including information and guidance pertaining to the position's key tasks, monitoring activities, and any additional relevant resources. These materials will be reviewed annually and updated as needed.*
- c. With respect to Recommendation 2, the Board's Executive Committee will update Board Policy MVFA-GEN-003 Delegation of Authority and Actions Subject to Review by the Board of Directors to further clarify the Board's expectations related to the CLT's management and oversight of day-to-day operations of MVH. The updated policy will be presented to the full Board, and if approved, the updated policy will take effect immediately.*

OBSERVATION 1

Two organizationally separate and independent ombudsmen have authority to perform investigations in veterans' facilities.

Two State ombudsman organizations provide complaint and investigatory services relating to veterans' facilities, including:

- Michigan Veterans' Facility Ombudsman (MVFO), which was created within the legislative branch in 2016 (Public Act 198 of 2016) as a nonpartisan agency to investigate issues affecting Michigan veterans' facilities. It was created in response to our 2016 performance audit* of the Grand Rapids Home for Veterans, Michigan Veterans Affairs Agency, DMVA (511-0170-15), which concluded the Home's provision of member care services was not sufficient.

MVFO is appointed by and serves at the pleasure of the Michigan Legislative Council. MVFO has authority to commence an investigation upon its own initiative or upon receipt of a complaint concerning an administrative act, medical treatment of a resident veteran, or a condition existing at a facility which poses a significant health or safety issue for which there is no effective administrative remedy or is alleged to be contrary to law or departmental policy. Public Act 198 of 2016 grants MVFO the authority to interview necessary individuals and permission to access any information or records deemed necessary to complete an investigation. MVFO submits a report of specified investigative findings to the Council, and the Council forwards the report to DMVA, the resident, and the complainant, when applicable. The Council may hold a hearing upon request of MVFO, and the Council may administer oaths, subpoena witnesses, and examine the books and records of DMVA or of a facility in a matter that is or was a proper subject of investigation by MVFO.

As of April 2025, the MVFO position had been vacant since December 2021, and we were informed the duties were being fulfilled by staff within the Council administrator's office. MVFO's semiannual reports indicated MVFO received 4 inquiries and completed no investigations for the 18-month period from November 8, 2023 through May 7, 2025.

- State Long-Term Care Ombudsman Program (SLTCOP), which is mandated by the federal Older Americans Act and works to resolve long-term care facility residents' problems related to poor care, violation of rights, and quality of life. SLTCOP was established by the Older Michiganians Act in 1981 (Public Act 180 of 1981) within the executive branch to implement confidential complaint and investigatory services, in addition to informational, educational, and referral procedures and programs in Michigan's long-term care facilities. Michigan veterans' facilities are required to provide their residents with access to the State Long-Term

* See glossary at end of report for definition.

Care Ombudsman (SLTCO) in accordance with federal veterans affairs regulations (Title 38, Part 51, section 70(j)(1) of the *Code of Federal Regulations [CFR]*) and, with the veteran facilities' recent CMS certifications, the homes are also required to provide access to the SLTCO by federal health and human services regulations (42 *CFR* 483.10(f)(4)(i)(c)).

State law requires the SLTCO to have experience in the field of aging, health care, community programs, and long-term care regulatory and policy issues. SLTCO is responsible for training, designating, and supervising a network of local ombudsmen, most of whom are associated with an area agency on aging. SLTCO is required to annually report to the Governor and Legislature on the SLTCOP and makes recommendations for improving the health, safety, welfare, and rights of long-term care facility residents.

SLTCO had 7 office staff, 23 local ombudsmen, and 11 volunteers, and the program collectively resolved approximately 3,550 investigations at long-term care facilities across the State according to its fiscal year 2024 annual report.

With two organizationally separate and independent ombudsman roles performing investigations in veterans' facilities, we encourage stakeholders to:

- Evaluate how to best utilize these organizations to help ensure concerns of veterans' facility residents and others are heard and resolved.
- Evaluate the need for each ombudsman to provide periodic reporting to the Board to assist in their governance of veterans' facilities, including considering clarification of MVFO's required reporting under Section 4.782 of the *Michigan Compiled Laws (MCL)*, which currently requires semiannual reporting to the dissolved Michigan Veterans' Facility Board of Managers.
- Consider clarification of SLTCOP's authority under *MCL* Section 400.586i to access veterans' facilities to better align with SLTCOP's federally mandated access to long-term care facility residents. Currently, the Older Michiganians Act's definition of long-term care facilities (*MCL* Section 400.582(e)(iii)) includes a veterans' facility exclusion (*MCL* Section 333.20109(1)(c)) through reference to repealed sections of law (*MCL* Sections 36.1 - 36.12).

COMPLIANCE WITH STATUTORY REPORTING REQUIREMENTS

BACKGROUND

The Michigan Veterans' Facility Authority Act of 2016 requires MVFA to submit and/or post to MVH's website:

- An annual report on select activities for the immediately preceding year.
- A quarterly report containing an analysis of staffing levels at each facility, statistics on resident complaints, timeliness of distribution and security of pharmaceutical drugs, how patient money is accounted for, and the number of facility resident deaths occurring during the last reporting period.

Annual appropriations acts require MVFA or MVH to submit and/or post to MVH's website:

- A monthly or bimonthly report including summary statistics of the number and general nature of all abuse or neglect complaints, including final disposition, at each veterans' facility and a description of the process to file complaints.
- Any USDVA State Veteran Home reports for each veterans' facility which contain quality measures regarding resident health conditions measured against veteran homes across the United States.
- Any annual or for-cause survey results reports prepared by entities with oversight of the veterans' facilities, including any corresponding corrective action plans.

AUDIT OBJECTIVE

To assess MVFA's compliance with select statutory reporting requirements.

CONCLUSION

Partially complied.

FACTORS IMPACTING CONCLUSION

- All quarterly reports we reviewed were posted to MVH's website, as required.
- All USDVA State Veteran Home reports we reviewed were submitted to the required report recipients and were posted to MVH's website, as required.
- Reportable condition related to report submission completeness, accuracy, and timeliness (Finding 3).

FINDING 3

**Improvements needed
in meeting statutory
reporting
requirements.**

CLT did not ensure all statutory reports were complete, accurate, and timely submitted to ensure reliable information is provided for oversight and decision-making purposes.

State law requires submission of several reports to the Legislature and others regarding MVFA activities and veteran home survey results. Our review of select required statutory reports from October 1, 2022 through March 31, 2024 noted CLT:

- a. Did not prepare or submit required annual reports for fiscal years 2022 or 2023. Our subsequent review noted the fiscal year 2024 annual report was submitted in June 2025.

MCL Section 36.112 requires annual submission of a written report on its activities for the immediately preceding year with the Governor, each house of the Legislature, and the chairperson of the appropriations subcommittee of each house of the Legislature having jurisdiction over military and veterans' affairs. The law specifies the contents of the annual report, such as census of each veterans' facility, accounting of all revenues received and expended, and recommendations for improvements at each veterans' facility.

- b. Did not submit any of the quarterly reports to the Governor or applicable legislators, as required, and did not always ensure complete and accurate compilation of reports.

MCL Section 36.112a requires submission of a quarterly report to the Governor, the Senate and House of Representatives committees on veterans' affairs, and the Senate and House of Representatives appropriations subcommittees for the department containing information such as staffing levels, resident complaints, accounting for resident money, and number of resident deaths. Our review of quarterly reports noted:

- (1) All 6 (100%) reports were not submitted to the required report recipients; however, MVH did post all 6 quarterly reports to its website.

After we brought this to CLT's attention, CLT submitted 2 of the 6 quarterly reports to the Governor and required legislators.

- (2) The reports were not always complete and accurate. Specifically, we noted the reports did not:

- (a) Include the average time to review and respond to complaints, as required, for all 6 quarterly reports.

The quarterly reports included the number of complaints and response to each complaint for all three veterans' facilities, as required; however, the reports broadly stated all complaints were resolved within policy required time allotments rather than providing actual average time frames for each facility.

- (b) Accurately report the number of patient complaints for the 2 selected quarterly reports.

The two reports reviewed stated 30 and 41 total complaints were made at the three veterans' facilities; however, we identified an additional 26 and 43 complaints, respectively, when we tallied the complaint logs at each of the three veterans' facilities for the applicable reporting periods.

- (c) Accurately report the number of veterans' facility deaths for 1 (50%) of the 2 quarterly reports we selected for review.

In this instance, 7 deaths were reported for a facility; however, we identified 16 deaths at the facility for the quarter when we reviewed reports from Point-Click-Care* for the applicable reporting period.

- c. Did not always submit, or timely submit, abuse and neglect complaint reports to all required report recipients and did not always ensure complete and accurate compilations of reports.

MVFA appropriations acts for fiscal years 2023 and 2024 require submission of abuse and neglect complaint reports, monthly or bimonthly, respectively, to various recipients. Our review of 6 selected abuse and neglect complaint reports noted:

- (1) 6 (100%) reports were not submitted, or timely submitted, to all required report recipients.
- (2) The reports were not always complete and accurate. Specifically, we noted the reports did not:
 - (a) Include a description of the process for how residents and others can file abuse and neglect complaints, as required.

* See glossary at end of report for definition.

- (b) Accurately report the number of abuse and neglect complaints for 2 (33%) of the 6 abuse and neglect complaint monthly reports reviewed.

In these two instances, the CLT reported 1 and 0 complaints at one veterans' facility for July and August 2023; however, our review noted 2 and 1 complaints were received for the reporting months, respectively.

- d. Did not always submit, timely submit, or properly post annual and for-cause survey results reports.

MVFA appropriations acts for fiscal years 2023 and 2024 require MVH to submit any annual and for-cause survey results reports and post them on its website. These reports are generally created from inspections conducted by CMS and USDVA.

Our review of 6 selected annual and for-cause survey results reports noted 2 (33%) were not submitted; 4 (66%) were not submitted timely, averaging 137 days late; and 5 (83%) reports and the associated corrective action plans were not posted on MVH's website, as required.

CLT stated it did not comply with statutory reporting requirements because it did not have policies and procedures outlining the process to ensure accurate compilation and timely submission of reports.

RECOMMENDATIONS

We recommend CLT ensure statutory reports are complete and accurate.

We also recommend CLT ensure all statutory reports are prepared, timely submitted, and properly posted on the MVH website, when applicable.

AGENCY PRELIMINARY RESPONSE

MVFA provided us with the following response:

MVFA and MVH agree with the recommendation.

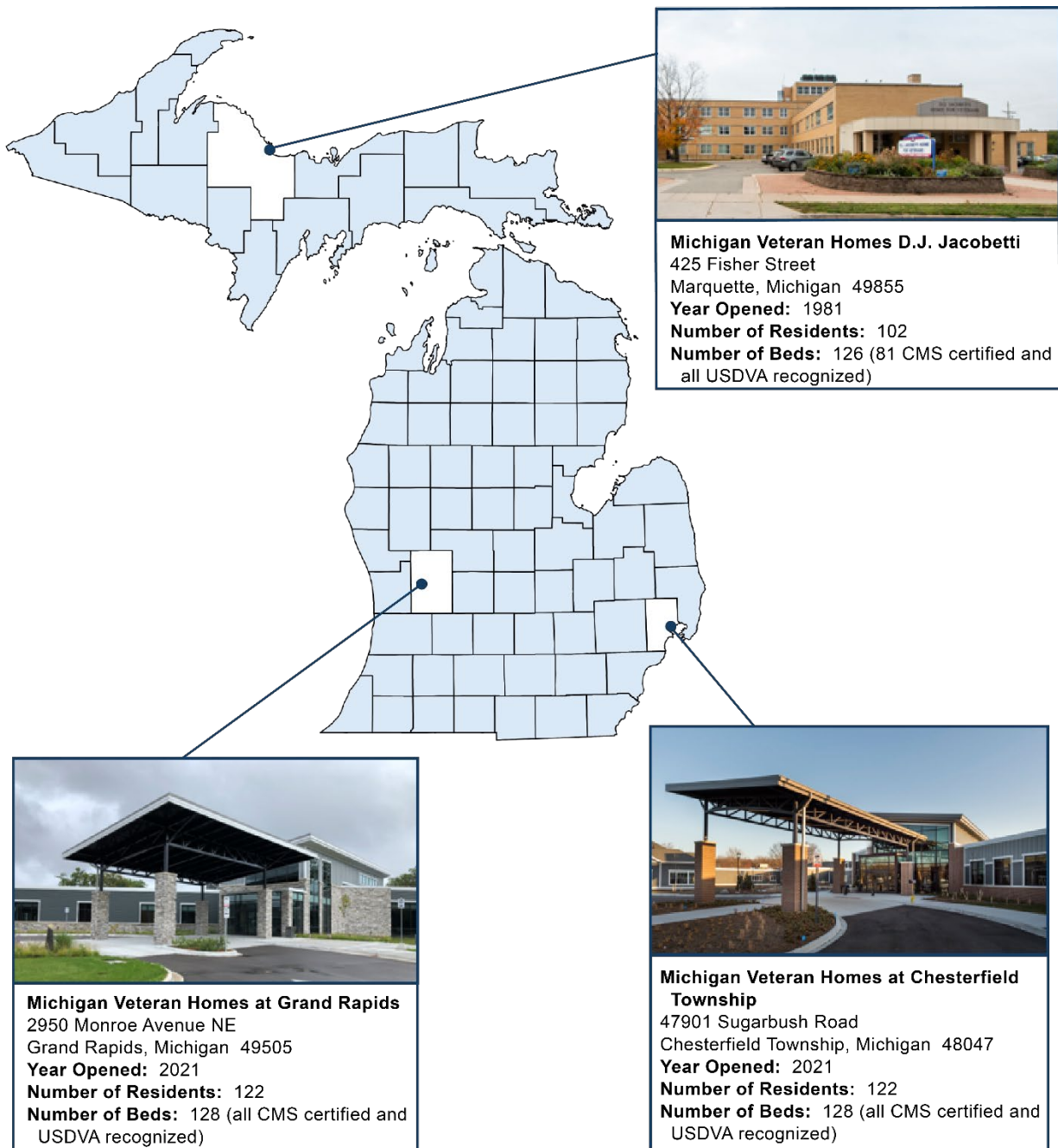
- a. *The legislative reports for FY24 and those required to date for FY25 have been submitted (and posted when required).*
- b. *MVH is revising relevant policies to support consistent statutory reporting and data tracking processes among the homes.*
- c. *MVH has developed a process for compilation, review, submission, and posting of these reports, including clarification of transmittal contacts and responsibilities within the Department.*

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit 1

MICHIGAN VETERANS' FACILITY AUTHORITY Department of Military and Veterans Affairs

Map of Michigan Veterans' Facilities
As of June 30, 2025



Source: The OAG prepared this exhibit based on information obtained from CLT.

MICHIGAN VETERANS' FACILITY AUTHORITY
Department of Military and Veterans Affairs

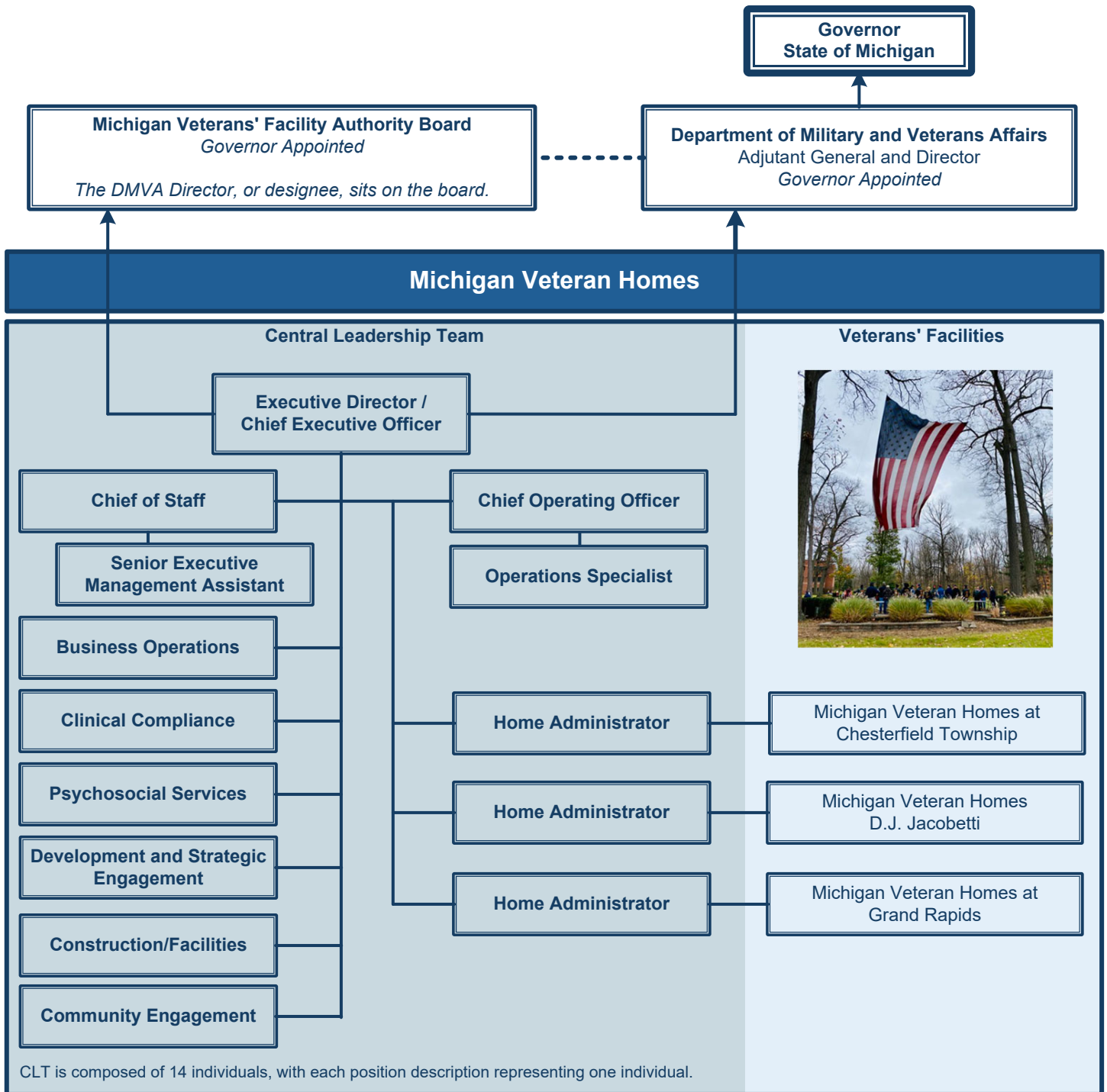
**MVFA Powers Granted by the
Michigan Veterans' Facility Authority Act**

- (1) The authority has all of the following powers:
 - (a) To review and revise a system of oversight and governance for Michigan veteran homes, that must include all rules, regulations, and laws necessary for effective management and preserving the health and welfare of veterans and dependents residing at veterans' facilities in this state.
 - (b) To solicit and accept gifts, grants, and loans from any person.
 - (c) To invest any money of the authority at the authority's discretion, in any obligations determined proper by the authority, and name and use depositories for its money.
 - (d) To procure insurance against any loss in connection with the property, assets, or activities of the authority.
 - (e) To sue and be sued, to have a seal, and to make, execute, and deliver contracts, conveyances, and other instruments necessary to the exercise of the authority's powers.
 - (f) To make and amend bylaws.
 - (g) To employ and contract with individuals necessary for the operation of the authority and 1 or more veterans' facilities.
 - (h) To make and execute contracts including without limitation sale agreements, trust agreements, trust indentures, bond purchase agreements, tax regulatory agreements, continuing disclosure agreements, ancillary facilities, and all other instruments necessary or convenient for the exercise of its powers and functions, and commence any action to protect or enforce any right conferred upon it by law, or by any contract or other agreement.
 - (i) To engage the services of financial advisors and experts, legal counsel, placement agents, underwriters, appraisers, and other advisors, consultants, and fiduciaries as may be necessary to effectuate the purposes of this act.
 - (j) To pay its operating expenses and financing costs.
 - (k) To pledge revenues or other assets as security for the payment of the principal of and interest on any bonds.
 - (l) To procure insurance, letters of credit, or other credit enhancement with respect to any bonds for the payment of tenders of bonds, or for the payment upon maturity of short-term bonds.
 - (m) To develop or operate 1 or more veterans' facilities.
 - (n) To solicit federal funds and other funding sources to develop veterans' facilities.
 - (o) To establish or permit to be established on its behalf 1 or more separate nonprofit corporations organized under the nonprofit corporation act, 1982 PA 162, *MCL* 450.2101 to 450.3192, to assist the authority in the furtherance of its public purposes.
 - (p) To do any and all things necessary or convenient to carry out its purposes and exercise the powers expressly given and granted in this act.

Source: The OAG prepared this exhibit based on *MCL* Section 36.106(1).

MICHIGAN VETERANS' FACILITY AUTHORITY
Department of Military and Veterans Affairs

Organizational Structure
As of August 2025



Note: The authority is administered under the supervision of the department but exercises its prescribed statutory powers, duties, and functions independently of the department as an autonomous entity within the department (MCL Section 36.103(1)).

Source: The OAG prepared this exhibit based on organizational charts provided by the MVH CLT.

AGENCY DESCRIPTION

MVFA was established by Public Act 560 of 2016 to provide general oversight and governance of MVH and veterans' facilities. MVFA is administered under the supervision of DMVA but exercises its duties independently of DMVA as an autonomous entity.

MVFA's mission* is to provide long-term skilled nursing care and services which enhance the well-being of veterans in the place they call home, and its vision is to be one of the nation's leading providers of long-term skilled nursing care and services for veterans. MVFA consists of a 10-member Board of Directors appointed by the Governor who serve 4-year terms. The Board delegated authority to manage all day-to-day operations of veterans' facilities to MVH's CLT. Michigan has three veterans' facilities that can serve approximately 380 veterans and eligible dependents (see Exhibit 1) as follows:

- Michigan Veteran Homes at Chesterfield Township opened in 2021 with 128 skilled nursing beds that are both CMS certified and USDVA recognized.
- Michigan Veteran Homes D.J. Jacobetti in Marquette opened as a hospital in 1954 and the State of Michigan later purchased and converted it to its current use as a veterans' facility in 1981. The facility has 126 USDVA recognized skilled nursing beds, of which 81 are also CMS certified. MVFA is planning to replace this facility with a new home near the same site.
- Michigan Veteran Homes at Grand Rapids originally opened in 1886 and was replaced with a new facility in 2021. The facility has 128 skilled nursing beds that are both CMS certified and USDVA recognized.

MVFA's appropriations totaled approximately \$84.8 million, including \$79.5 million for veterans' facilities operations, for fiscal year 2024 and \$103.7 million, including \$97.3 million for veterans' facilities operations, for fiscal year 2025.

* See glossary at end of report for definition.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to MVFA. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives and corresponding audit procedures did not include review of MVFA's financial operations. We separately performed annual financial statement audits of MVFA and issued reports in June 2025 (512-0101-25), March 2024 (512-0101-24), May 2023 (511-0101-23), and December 2022 (511-0101-22). Also, our audit objectives and procedures were not directed toward concluding on the operations and processes of the three veterans' facilities.

As part of the audit, we considered the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring activities) relative to the audit objectives and determined all components were significant.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2022 through March 31, 2024.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of MVFA's operations and activities to formulate a basis for establishing the audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed CLT management and staff to obtain an understanding of responsibilities and procedures carried out by CLT.
- Performed research to gain an understanding of MVFA's creation and its mission.
- Reviewed applicable federal and State laws and regulations, MVFA Board policies, and MVH policies and procedures.
- Conducted on-site visits at two veterans' facilities in February 2024 to gain an understanding of facility operations and CLT monitoring procedures.

- Completed a limited review of documentation maintained by CLT related to its monitoring activities.
- Reviewed CMS and USDVA surveys for each veterans' facility.

OBJECTIVE 1

To assess the effectiveness of MVFA's efforts to establish a system of governance for Michigan veterans' facilities.

To accomplish this objective, we:

- Reviewed the 10 Board members' biographies and professional qualifications for those serving as of June 30, 2025.
- Determined whether the Board established bylaws and Board member policies and recommended the appointment of an executive director.
- Reviewed all Board policies effective as of July 30, 2024 to verify the Board completed annual reviews from January 1, 2022 through March 19, 2024.
- Requested documentation for all executive director performance evaluations completed from October 2022 through July 2025 to ensure the Board completed annual evaluations in accordance with its policy.
- Reviewed Board meeting minutes from October 2022 through September 2024 to determine if the Board met regularly and received relevant updates from CLT regarding MVH activities.
- Verified the Board created an Appeals Board as required by the Act through review of the Board's meeting minutes which appointed members to the Appeals Board on August 24, 2021.

OBJECTIVE 2

To assess the sufficiency of MVFA's efforts to establish a system of oversight to preserve the health and welfare of Michigan veterans' facility residents.

To accomplish this objective, we:

- Reviewed 12 of 14 CLT member position descriptions as of March 27, 2024, obtained support for member experience and educational qualifications from DMVA human resources staff, and verified member licensure, as applicable, with public licensure information available on the Department of Licensing and Regulatory Affairs' website.

- Determined if CLT developed:
 - Internal policies and procedures to outline its responsibilities and associated controls.
 - Policies for the veterans' facilities to help ensure consistent operations.
- Judgmentally sampled 31 of 657 MVH policies effective February 15, 2024 to verify appropriate member(s) of CLT completed the applicable annual reviews for January 1, 2023 through April 4, 2024. Our judgmental sample was selected based on risk; therefore, we could not project the results to the respective population.
- Verified CLT's involvement in building two new veterans' facilities through review of Board meeting minutes.
- Reviewed each veterans' facility's CMS star rating as of July 2025.
- Obtained USDVA certification recognition letters for:
 - Michigan Veteran Homes at Chesterfield Township dated November 1, 2021.
 - Michigan Veteran Homes at Grand Rapids dated March 28, 2022.
- Verified each veterans' facility was formally recognized and certified by the USDVA through their participation in the State Veteran Home program as of July 2025.
- Reviewed CLT's processes and documentation related to its oversight and monitoring of:
 - Staffing levels, including daily tracking of per patient day (PPD) ratios* and follow-up procedures, when applicable. We randomly selected one day from each month during the period September 1, 2023 through March 31, 2024 and verified the CLT's PPD tracking agreed with Point-Click-Care reports and the midnight census forms completed by facility staff.
 - Clinical compliance, including observing the clinical compliance director's system monitoring.
 - Annual informal surveys, including survey templates and results.

* See glossary at end of report for definition.

- Life safety testing. We randomly and judgmentally selected 14 of 99 required life safety tests. We then randomly and judgmentally selected 60 dates from October 1, 2022 through March 31, 2024 when the required tests would have been expected to be completed, allocated across the three veterans' facilities. We reviewed these dates to ensure the related life safety tests were timely completed and follow-up procedures were completed, when applicable.

Our random samples were selected to eliminate bias and enable us to project the results to the respective populations. Our judgmental samples were selected to ensure representativeness or based on risk and we could not project those results to the respective populations.

OBJECTIVE 3

To assess MVFA's compliance with select statutory reporting requirements.

To accomplish this objective, we:

- Reviewed the annual and quarterly reports required by the Act from October 1, 2022 through March 31, 2024 and:
 - Verified reports:
 - Contained all information required by the Act.
 - Were approved by the applicable individual(s).
 - Were timely submitted to all required report recipients and posted on MVH's website, when applicable.
 - Randomly selected 2 of 6 quarterly reports to verify the reports contained accurate information by recalculating the:
 - PPD ratios using reports obtained from OnShift*.
 - Number of resident complaints using the complaint logs maintained by each veterans' facility.
 - Number of veterans' facility deaths using reports obtained from Point-Click-Care.

* See glossary at end of report for definition.

- Randomly selected 6 of 54 abuse and neglect complaint reports required by the appropriations acts from October 1, 2022 through March 31, 2024 and verified reports were:
 - Prepared and contained all information required by the appropriations acts.
 - Compiled accurately by comparing the abuse and neglect complaint information with the investigation reports obtained from the veterans' facilities.
 - Approved by the applicable individual(s).
 - Timely submitted to all required report recipients.
- Randomly selected 3 of 9 USDVA State Veteran Home reports available during the audit period to verify the reports were timely submitted to all required report recipients and posted on MVH's website, as required.
- Randomly selected 6 of 15 annual and for-cause survey results reports completed from October 1, 2022 through March 31, 2024 to verify the reports, and any applicable corrective action plans, were timely submitted to all required report recipients and posted on MVH's website, as required.

Our random samples were selected to eliminate bias and enable us to project the results to the respective population.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions.

AGENCY RESPONSES

Our audit report contains 3 findings and 5 corresponding recommendations. MVFA's preliminary response indicates it agrees with all of the recommendations.

The agency preliminary response following each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 3, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

* See glossary at end of report for definition.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes supplemental information presented as Exhibits 1 through 3. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

Act	Public Act 560 of 2016.
auditor's comments to agency preliminary response	Comments the OAG includes in an audit report to comply with <i>Government Auditing Standards</i> . Auditors are required to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement.
Board	MVFA Board of Directors.
Central Leadership Team (CLT)	The group of individuals, led by an executive director, responsible for the day-to-day governance and administrative management of MVH and veterans' facilities.
CFR	<i>Code of Federal Regulations</i> .
CMS	Centers for Medicare and Medicaid Services.
DMVA	Department of Military and Veterans Affairs.
effectiveness	Success in achieving mission and goals.
efficiency	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
goal	An intended outcome of a program or an entity to accomplish its mission.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, strategic plan, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.
material condition	A matter, in the auditor's judgment, which is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or

could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.

MCL

Michigan Compiled Laws.

Michigan Veteran Homes (MVH)

The administrative entity which centrally manages and operates veterans' facilities in the State.

mission

The main purpose of a program or an entity or the reason the program or the entity was established.

MVFA

Michigan Veterans' Facility Authority.

MVFO

Michigan Veterans' Facility Ombudsman.

objective

Specific outcome(s) a program or an entity seeks to achieve its goals.

observation

A commentary highlighting certain details or events which may be of interest to users of the report. An observation may not include all of the attributes (condition, effect, criteria, cause, and recommendation) presented in an audit finding.

OnShift

Time sheet and scheduling software utilized by MVH for employee scheduling, which enables CLT members to run time sheet reports.

PEC

Performance Evaluation Committee.

per patient day (PPD) ratio

The ratio of available direct care nurse staffing hours per patient per 24 hours.

performance audit

An audit which provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Point-Click-Care	Software used by MVH which stores medical records and provides real-time medical care information.
reportable condition	A matter, in the auditor's judgment, less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.
SLTCO	State Long-Term Care Ombudsman.
SLTCOP	State Long-Term Care Ombudsman Program.
SPR	Standard Performance Review.
USDVA	U.S. Department of Veterans Affairs.
veterans' facility	A long-term care facility and ancillary facilities for veterans and their dependents as determined by MVFA. Often informally referred to as veteran homes.



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