

**UNITED STATES SENATE
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP**

**REPORT ON
THE VETERANS CORPORATION**



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I. Committee Investigation

On March 3, 2008, the Senate Committee on Small Business and Entrepreneurship (Committee) launched a bipartisan investigation of the National Veterans Business Development Corporation—better known as The Veterans Corporation (TVC)—at the request of Senator John Kerry, Chairman of the Committee, and Senator Olympia Snowe, the Committee’s Ranking Member. TVC, a federally-chartered, nonprofit corporation, has received \$17 million in taxpayer funds since 2001, but has struggled to fulfill its statutory mission of providing veterans with access to entrepreneurial technical assistance and partnering with public and private resources to help veteran entrepreneurs start or grow small businesses.

Since TVC was authorized in 1999, the Committee has raised questions about the management and spending decisions made by the organization and its leaders. Two reports issued in 2003 and 2004 by the Government Accountability Office (GAO) criticized TVC for a lack of internal controls, an inability to measure the effectiveness of its programs, and TVC’s failure to become self-sufficient.¹ Over the years, staff members from several Congressional committees have met repeatedly with TVC to impress upon TVC’s leaders the importance of becoming self-sufficient and reminding them of TVC’s duty to “... establish and maintain a network of information and assistance centers for use by veterans...” as mandated by the organization’s enabling legislation, Public Law 106-50—the Veterans Entrepreneurship and Small Business Development Act of 1999 (PL 106-50).

In response to concerns raised by the Committee and several veteran service organizations, TVC has repeatedly assured members of Congress that TVC was taking the necessary steps to correct its past failures. However, after various meetings with TVC officials and after reviewing its FY 2007 annual report, the Committee questioned TVC’s direction and whether any significant changes had been made over the past few years. Consequently, the Committee launched the investigation to determine whether TVC has adequately addressed the concerns raised by the GAO in its previous reports, and by Congress and veterans groups in recent years.

During the course of the investigation, the Committee's staff reviewed various categories of documents furnished by TVC, as well as others that the Committee subpoenaed from TVC's financial institutions. Additionally, Committee staff conducted numerous interviews with TVC insiders, including each current member of TVC's board of directors (Board); TVC's acting president, John Madigan; its former director of finance; and its highest-paid independent contractor. TVC's former president, Walter Blackwell, declined Committee staff's repeated requests for an interview.

II. Executive Summary

There are 23,400,000 veterans in America today.² TVC was founded to provide these veterans with the resources and guidance needed to start and grow successful small businesses. The Committee staff's investigation revealed an entity that has been not only ineffective in meeting its responsibilities to our nation's veterans, but also troublingly irresponsible in its use of taxpayer dollars.

A. Summary of Report Findings

Based upon its investigation, the Committee staff makes the following findings:

1. **Failure to Achieve Statutory Mission.** TVC has not accomplished its statutory mission as a result of the organization's:
 - a. **Failure to Support Veteran Business Resource Centers.** Since its founding, TVC has spent only 15 percent of the federal funding it has received on the veterans business resource centers (Centers), which TVC was required to establish and maintain under PL 106-50. In FY 2008, the percentage dropped to about 9 percent. As a result, the Centers have been faced with the possibility of closure.
 - b. **Wasteful Programs.** TVC spent its limited resources on several programs that bore little or no relation to the organization's statutory mission, including at least \$13,000 on a teen essay contest and a movie promotional tour. Most Board members either had no recollection of the promotional tour or did not fully understand the extent to which TVC was involved with it.
 - c. **Lack of Outcomes-Based Measurements.** TVC has largely reported the results of its programs by measuring their activity, rather than their outcomes. This has prevented TVC from accurately determining whether its programs are accomplishing their intended purposes.

2. **Mismanagement of Federal Funds by TVC's Leadership.** TVC's leaders misspent hundreds of thousands of dollars in taxpayer funds on:
 - a. Unacceptably High Executive Compensation. TVC's executives received unacceptably high levels of compensation given the organization's limited resources and reach. While an average of 15 percent of TVC's federally appropriated funds went to the Centers, 22 percent of TVC's FY 2007 federal appropriation dollars were spent on its top two executives' compensation packages alone. TVC's Board continued to reward these executives with raises and bonuses, despite reductions in TVC's federal appropriation and a lack of citable program results under their leadership. See Appendix A.
 - b. Dubious Expenditures. TVC spent tens of thousands of dollars on expensive dinners for employees and Board members at high-priced D.C. restaurants, luxury hotel rooms, first class travel arrangements, and memberships to various airline club lounge programs. TVC's top two executives failed to report over \$91,000 in charges on their company-issued credit cards. In addition, TVC's executives failed to follow proper expense reimbursement procedures and, in some cases, either approved their own expense reports or had them approved by a subordinate employee who was under their direct supervision. And even when their expenses were reported, the executives appeared to have demonstrated a general disregard for the value of taxpayer dollars, incurring, for example, over \$40,000 in meal expenses in less than three years. See Appendix B.
 - c. Failed Fundraising Efforts. During fiscal years 2005 through 2007, TVC leaders spent \$2.50 for every \$1.00 they raised through the organization's fundraising efforts—almost entirely at the taxpayers' expense. During FY 2007, TVC spent over \$240,000 in fundraising expenses while raising only \$64,000. In the absence of a successful private fundraising program, TVC spent much of its limited resources lobbying members of Congress for annual appropriations.

B. Causes of TVC's Failures

Based upon its investigation, the Committee staff identified the following causes for TVC's failures:

1. **Ineffective Board Governance.** Through broad decision-making powers granted to TVC's executive committee under the organization's bylaws, the committee has approved a number of

measures without proper approval or ratification from the full Board. For instance, last year \$40,000 in employee bonuses were not properly approved by the full Board. In addition, several of TVC's Board members have lacked the level of engagement necessary to effectively discharge their duties to the organization. For example, the chairman of TVC's audit committee could not correctly identify the committee's other two members.

2. **Fragmented Oversight.** TVC's status as a private entity—outside the reach of typical federal agency oversight—led to fragmented and inadequate oversight mechanisms. The lack of sufficient oversight prevented lawmakers from properly monitoring TVC's operations and diminished opportunities for necessary changes to TVC's culture. Even where federal law required an oversight mechanism through the Single Audit Act, TVC either ignored, or was incorrectly advised of, its duty to comply with the statute. In doing so, TVC removed a crucial external check on the organization's internal controls, as well as an additional means to measure its efficiency and effectiveness in expending taxpayer dollars.

C. Summary of Report Recommendations

Based upon its findings, the Committee makes the following recommendations:

1. **No Further Federal Funding.** Through its misguided programs, excessive executive compensation, and questionable spending decisions, TVC has squandered hundreds of thousands—if not millions—of the \$17 million in taxpayer dollars it has received since 2001. Given TVC's poor track record, its lack of effective programs, and its Board members' own admission that taxpayers have not received an adequate return on their investment, TVC should receive no federal funds for the remainder of FY 2009 and for the foreseeable future.
2. **Transfer of Responsibility.** If, in the absence of federal funding, TVC cannot adequately support the Centers, responsibility for funding and overseeing the Centers should be transferred to the Small Business Administration's Office of Veterans Business Development, which should receive additional federal funds to carry out this new responsibility.

III. Background

A. Legislative History of TVC

In the 1990s, Congress recognized that the benefits and services provided to military service members leaving active duty had changed very little since the end of World War II, making it more difficult for our nation's veterans to reenter an economy whose base had significantly shifted from manufacturing toward information and services.³ Two separate reports issued in the late 1990s made recommendations that would help transition these outmoded veteran programs into the 21st Century economy.⁴ Congress enacted many of these recommendations through TVC's enabling legislation, PL 106-50,⁵ which placed a special emphasis on improving entrepreneurial development, education, and training services for veterans who wish to start or grow a small business. A key vehicle for delivering these services is TVC, which was formed as a private, nonprofit corporation pursuant to PL 106-50.

According to PL 106-50, TVC's mission includes: (1) expanding the provision of—and improving access to—entrepreneurial technical assistance for military veterans;⁶ and (2) assisting veterans with the formation and expansion of small businesses by working with and organizing public and private resources.⁷ To accomplish this mission, PL 106-50 requires TVC to "... establish and maintain a network of information and assistance centers for use by veterans and the public."⁸ TVC's statutory mission reflects our nation's commitment to providing veterans with the resources and tools necessary to start or grow small businesses. However, as the legislative history of PL 106-50 indicates, such efforts must be properly tailored to fit veterans' unique needs, while taking full advantage of their special talents and abilities.⁹

B. Nonprofit Governance and Accountability Reforms

With close to 180,000 U.S. military personnel in Iraq and Afghanistan¹⁰ and hundreds of thousands more throughout the world, the number of new veterans could increase dramatically in the coming years. Helping veterans start or grow small businesses is a crucial component of reintegrating them into civilian life. While the federal government should play a vital role in assisting veterans with this transition, veterans' charities also shoulder a large part of this burden. Therefore, the nonprofit organizations that serve our nation's veterans must properly direct their resources to programs that further the entity's charitable purpose, and these organizations must prudently spend their limited funds on programs and services that benefit veterans—not the charity's insiders.

In the wake of corporate scandals involving high profile public companies like Enron and Worldcom, extensive efforts have been made to improve corporate governance and accountability. Likewise, well-publicized controversies involving

large charities, such as the United Way¹¹ and the Red Cross,¹² have led to a push for improvements in the governance, accountability, and management practices of nonprofit companies.

As a general matter, the reforms spurred by recent controversies in the nonprofit sector have focused on two related principles: (1) observance of commonly-accepted governance practices and (2) employment of proper internal controls that help prevent waste, fraud, and abuse. These guiding principles are especially significant to nonprofits that are funded by the federal government, since theirs is a duty, not only to serve as a fiduciary for the charitable organization, but also as a steward for the American taxpayer. One such organization is TVC.

IV. Report Findings

In assessing whether TVC has successfully served our nation's veteran entrepreneurs, the Committee's investigation attempted to determine: (1) if TVC has mismanaged its federal funds; and (2) if TVC's programs have been effective in fulfilling the organization's statutory mission.

A. Failure to Achieve Statutory Mission

According to PL 106-50, TVC's mission includes: (1) expanding the provision of—and improving access to—entrepreneurial technical assistance for military veterans;¹³ and (2) assisting veterans with the formation and expansion of small businesses by working with and organizing public and private resources.¹⁴ To accomplish this mission, PL 106-50 requires TVC to "... establish and maintain a network of information and assistance centers for use by veterans and the public."¹⁵ In fact, the legislative history of PL 106-50 indicates that TVC's central purpose was to create the Centers.¹⁶ According to the Senate and the House committees' reports on PL 106-50, "[t]he most significant single purpose of [TVC] will be to work with the public and private sectors to establish an independent nationwide network of business assistance and information centers for veterans."¹⁷

Failure to Support Veterans Business Resource Centers. TVC began providing funds to set up the Centers in 2004 through TVC's National Veterans Community-Based Organization Initiative. By 2005, TVC funding had helped open Centers in St. Louis, San Diego,¹⁸ Boston, and Flint, Michigan.¹⁹ Unfortunately, since TVC's inception, it has only spent approximately \$1.3 million on the Centers—a mere 15 percent of the \$17 million in federal funding it has received.²⁰

The purpose of the Centers is to provide one-on-one education and on-site training for veterans who sought to start or grow a business. According to TVC's combined annual report for fiscal years 2004 and 2005:

These [Centers] serve as the models for future individually-tailored, community-based service centers nationwide that will serve entrepreneurial Veterans, focusing on entrepreneurship, market promotion, and community development and leadership.

* * *

The [Centers] will spearhead assessment of entrepreneurial activities, support business incubators, and provide access to entrepreneurial education, training, mentoring and counseling. They will support Veteran small business owners who have been called upon to serve their country for extended time periods. The [Centers] will be the major drivers in the national Veterans network for effective and dynamic community economic development.²¹

But when TVC issued its next annual report in 2006, the Centers were scarcely mentioned, reflecting a change in program focus, which was promoted by TVC's new president, Walter Blackwell.²² That new focus included a shift from the model of the Centers—community-based, face-to-face education centers—to “Virtual Veteran Resource Centers,” which were supposed to offer specialized online training courses for veterans through TVC's website.²³

At its annual meeting for FY 2007—and following Mr. Blackwell's recommendation—the Board approved a change to TVC's education outreach model, transitioning away from direct funding of the Centers to a competitive grant process aimed at reaching organizations beyond the Centers, which would force the Centers to become self-sufficient.²⁴ The Board also followed Mr. Blackwell's recommendation to begin the competitive grant program in FY 2008 so the Centers had time to obtain funding sources outside TVC.²⁵ In light of the fact that TVC—with far more resources at its disposal than any of the Centers—was unable to raise funds from non-federal sources throughout the course of its long history, it is difficult to understand how TVC's leadership reasonably believed that the Centers could raise sufficient operating funds in just one year. In fact, in its FY 2006 Annual Report, TVC acknowledged that “... our experience with TVC's Veteran [Business] Resource Centers locally demonstrates they cannot realistically expect private matching dollars.”²⁶

When the competitive grant awards were made in FY 2008, two of the three remaining Centers (St. Louis and Flint) were granted \$67,500 each—about half what they had been given in the previous fiscal year.²⁷ The other Center (Boston) was not given any funding. TVC's leadership claimed that the decision was due to, among other reasons, the Center's failure to properly establish its tax-exempt status.²⁸ But several of the Board members interviewed by Committee staff described a discord between Mr. Blackwell and the Center's president, who had publicly criticized Mr. Blackwell's leadership of TVC.²⁹ And one Board member

even conceded that the decision to zero-fund the Center in Boston was based largely on Mr. Blackwell's personal differences with the Center's president.³⁰

Meanwhile, groups with no apparent prior history or experience in veteran entrepreneurial training, such as the Jewish Vocational Service in Chicago—already operating with annual revenues of more than \$14 million—and the Technological Research and Development Authority in Melbourne, Florida, received money from TVC that had once been set aside for the Centers. Shortly after the grants were made, all of the Centers announced that they would be forced to shut their doors as a result of TVC's failure to provide adequate financial support.³¹ Although emergency funds were later secured by the Centers, their future existence is in serious jeopardy.

While TVC representatives have suggested that the shift to a grant system would allow them to reach more areas of the country through new programs, the decision to divert funding from the Centers represented a substantial deviation from TVC's statutory mission. Specifically, it represented a shift toward TVC funding various programs, as opposed to funding its primary mission of establishing and maintaining a network of information and assistance centers. If Congress wished to fund this sort of grant program, it could do so without the use of an intermediary like TVC by enacting direct spending measures. Rather, Congress had envisioned that TVC's primary focus would be to establish, support, and oversee the network of Centers.

Wasteful Programs. The Committee's investigation found evidence that a number of TVC's programs bore little or no relation to the organization's statutory mission. For instance, over the past two years, TVC has spent at least \$10,000 to conduct an "Honoring America's Veteran Entrepreneurs" youth essay contest for teens.³² Last year, the two first-place winners each received a \$500 U.S. Savings Bond and an all-expenses paid trip to Washington, D.C. with their families. The ten honorable mention winners were each given \$50 U.S. Savings Bonds. While other charities have used contests as a fundraising device, it is difficult to understand the logic of expending TVC's limited resources on a program that did little to make TVC self-sufficient or further TVC's mission of improving entrepreneurial technical assistance and organizing public and private resources for veteran entrepreneurs.

Another questionable program developed by TVC occurred last year when TVC's president used the organization's funds to attend several screenings of "Music Within," a movie based on the true story of Richard Pimentel, a service-disabled veteran. Mr. Blackwell's promotional tour included stops at the Palm Beach International Film Festival, the American Film Institute International Film Festival in Dallas, and screenings in Chicago and Washington, D.C. The Committee found that Mr. Blackwell ran up at least \$3,000 in expenses for the events, including \$156.50 in "refreshments" at the theater in Chicago.³³ While Mr. Pimentel's story is clearly inspirational to veterans and non-veterans alike, it

is unclear how Mr. Blackwell's trips to the movie screenings sufficiently furthered the statutory mission of TVC. During its interviews with Board members, Committee staff found that most Board members either had no recollection of the promotional tour or did not fully understand the extent to which TVC was involved with it.³⁴ Regardless, the decision to pursue these types of programs, rather than developing and improving programs that provide entrepreneurial technical assistance to veterans, clearly demonstrates TVC's questionable decision-making in allocating its limited resources.

Lack of Outcomes-Based Measurements. Even where programs could benefit veteran entrepreneurs, TVC had no procedures in place to effectively monitor their impact in helping TVC fulfill its statutory mission—procedures commonly known as “outcomes-based measurements.” A key element to the success of any program is outcome measurement.³⁵ The goal of any nonprofit organization's outcome measurement efforts should be to develop information that can be used by leadership to evaluate and improve services on a continuing basis. This process allows the organization to make informed decisions about its programs and ultimately increase benefits to clients, while avoiding the risk of programs becoming stagnant or ineffective.

Historically, TVC has largely monitored the activity of its programs, rather than outcomes. In other words, it has tracked data on the number of people contacted, the number of users who have visited a website, or attendance figures at events in which TVC participated. While this information is useful to evaluate the public's awareness or interest in TVC's programs, it does not help the organization understand how well it is serving its target constituents.³⁶ Essentially, the statistics cited by TVC merely provide administrative information about programs, rather than assessing whether their programs are effective in achieving desired results.³⁷

In its August 2004 report on TVC, GAO commented on the organization's failure to incorporate outcome measurement in the context of its strategic planning efforts. In its criticism of TVC's focus on program outputs and activities (rather than their impact on veterans), GAO observed:

One goal was to develop and implement programs that provide veterans access to knowledge, tools, and resources necessary to succeed in their entrepreneurial efforts. However, there were no performance measures to gauge how well the programs are providing necessary tools and resources or whether those resources are helping veterans succeed in their businesses. Without outcome-oriented goals, The Veterans Corporation will have difficulty demonstrating that achieving all its goals and objectives would lead to the fulfillment of its mission to assist veteran entrepreneurs.³⁸

Based on the Committee's investigation, this point still holds true today. In its most recent annual reports to Congress, TVC has largely reported the results of its programs in terms of activity measurements. TVC has touted its programs' success based on measurements such as the number of "unique" website visits or classes accessed for its online education program; the number of training hours; the number of attendees at events where TVC has presented; and the number of mentoring contacts for its "Access to Capital" program.³⁹ These measurements do indicate a level of interest in TVC's activities, but reveal little information about the effectiveness of the programs or client satisfaction with the services.

A consistent system of outcome measurement would generate information that allows Congress and potential private donors to make informed judgments about whether TVC and its programs are in fact accomplishing their intended purpose. This information would also allow TVC's leadership to determine how to effectively invest the resources entrusted to them by Congress and minimize TVC's continued investment in programs or activities that do not contribute to improved results. Despite GAO's findings and the wide availability of instructional materials on the implementation of outcome measurement in nonprofit organizations,⁴⁰ TVC's leadership has failed to implement this recommendation.

In the limited circumstances where measurements of TVC's program outcomes have been available, they paint a starkly different picture of program effectiveness. For example, TVC's 2007 Annual Report to Congress touts the activity of its headquarters' staff members and their ability to leverage the use of electronic delivery platforms to assist veterans. TVC highlights statistics including: 3,140,511 hits on its website; 29 TVC presentations, with 5,631 attendees; 109 online classes provided; and 537 virtual workshops.⁴¹ However, the only outcome measurement used by TVC demonstrates that these high levels of activity do not reflect the effectiveness of the programs, as only four new businesses were started as a result of these efforts.⁴² Had TVC leadership focused on this data and collected other outcome measurements, informed decisions could have been made to assess the value these programs provided to veterans. Instead, TVC continued to move forward, pouring approximately \$70,000 into online education licenses and spending more than \$350,000 to sponsor and attend conferences with little direct evidence that these programs were achieving TVC's statutory mission.⁴³ TVC provides similar information about its "Access to Bonding" program, noting that 1,153 questionnaires were downloaded for this program—yet only two new bonds were facilitated according to the 2007 Annual Report.⁴⁴

TVC promotes the success of its Access to Capital program with similar statistics. TVC advertises this program as a partnership with the National Economic Opportunity Fund (NEOF) to provide veteran entrepreneurs with the financial support they need to succeed in business. The program is designed to facilitate loans through TVC's lending partners. TVC's FY 2007 Annual Report

highlights statistics including: 4,575 questionnaires downloaded; 209 general financial counseling sessions; and 399 one-on-one mentoring sessions.⁴⁵ However, the outcome measurement used by TVC reveals that these activities only resulted in four loans being facilitated.⁴⁶ TVC leadership should have focused on that information to evaluate the effectiveness of the program, especially in light of the fact that NEOF is paid more than \$10,000 per month to operate it.

In the limited number of circumstances that TVC did collect outcome measurements, it is clear that TVC has not used the information to assess the effectiveness of its programs. Several Board members indicated that TVC's leadership rarely presented information to the Board regarding the ongoing accomplishments of programs. Rather, Mr. Blackwell frequently pitched new programs to the Board, as existing programs were given little ongoing attention and were left to continue without oversight.⁴⁷ These Board members openly questioned the effectiveness and results of TVC programs, such as Access to Capital and Access to Bonding, during interviews with Committee staff.

B. Mismanagement of Federal Funds by TVC's Leadership

Unacceptably High Executive Compensation. A review of TVC's executive compensation decisions demonstrates questionable judgment in the allocation of its Congressionally-appropriated funds. A recent study by Charity Navigator, an independent, non-profit organization that evaluates charities, examined the executive compensation practices of 5,242 American charities.⁴⁸ The review, based on information reported in publicly-available IRS filings, found that the average salary for top leaders in these charities was \$145,270 in 2007.⁴⁹ To put this number in context, the study examined CEO compensation as a percentage of each organization's total expenses. The study found that the average CEO's compensation accounted for 3.37 percent of the organization's total expenses. This figure proves more useful in examining an organization's resource allocation decisions than the raw salary data alone. Committee staff examined compensation information contained in TVC's Internal Revenue Service (IRS) filings for TVC's top two executives and found that executive compensation makes up a considerably larger portion of TVC's total expenses than the average figure as determined by the Charity Navigator study. See Appendix A.

On a percentage of expenses basis, Mr. Blackwell made more than twice the average found in the Charity Navigator study in both of the two most recent years. Further, Mr. Madigan also made nearly twice the average percentage while serving as vice president during that same two-year period. Together, the combined compensation of these two executives was \$338,172 in 2007, or 14.28 percent of TVC's total expenses. This represents a considerable allocation of the limited resources entrusted to TVC by Congress. In fact, the combined

compensation of the organization's top two executives constituted more than 22 percent of TVC's Congressional appropriation for 2007.

Further, TVC's Board continued to reward these executives, despite knowing the scarcity of taxpayer dollars at their disposal, the lack of citable program results, and the failure to help TVC move toward self-sufficiency. And despite these raises, in interviews with Committee staff, Board members nearly uniformly agreed that the federal government had not received an acceptable return on its investment in TVC. Minutes from Board meetings reveal that decisions to raise salaries and award bonuses came in close proximity in time to meetings where the Board learned of fundraising failures, discussions of lack of program accomplishments, and recommendations from executive staff to cut funding to the Centers. For example, on July 23, 2006, TVC's Board unanimously approved across-the-board staff raises for FY 2007 and a \$15,000 bonus to Mr. Blackwell "... in favor of his past performance."⁵⁰ At this same meeting, Mr. Blackwell informed the Board of the uncertainty surrounding TVC's federal funding status for FY 2007, specifically advising the Board that "[w]ithout reauthorization and congressional appropriation, there will be no chance for TVC to continue in 2008."⁵¹ This example, as well as others, suggests that TVC's Board rewarded employees without any specific criteria such as measurable program accomplishments, and often did so in spite of information concerning TVC's lack of success. Staff interviews with TVC Board members confirmed that bonuses and pay raises were not awarded based on job performance, but rather in an effort to retain employees.

This problem was again recently illustrated by the Board's decision to award Mr. Blackwell a nearly \$27,000 severance package at the time of his resignation in May of 2008.⁵² The executive committee of TVC's Board unanimously voted to award the three-month severance package "... based on the sense that Mr. Blackwell resigned under duress for the good of the organization and should be rewarded for his sacrifice."⁵³ The Committee staff's review of Mr. Blackwell's employment contract, however, suggests that TVC was under no contractual obligation to pay a severance. In fact, the contract specifically states that no severance be paid to Mr. Blackwell in the event he terminates the agreement prior to expiration—as he did by resigning.

Dubious Expenditures. Another factor in the mismanagement of TVC's funds involves the business expenditures incurred by its employees. TVC's Code of Ethics encourages employees to "... [s]erve the country and the Corporation with respect, concern, courtesy, and responsiveness, recognizing that serving this Corporation is serving the people of the United States."⁵⁴ This principle recognizes that, as an organization almost entirely dependent on Congressional appropriations, TVC's employees must be expected to act as responsible stewards of taxpayer dollars. In accordance with this responsibility, TVC developed a number of internal controls for expense reimbursement in its Employee Handbook. According to TVC's Employee Handbook, "[i]n order to qualify for

reimbursement, all expenditures must be supported by original receipts and presented on a Staff Expense Report... additionally the business purpose for travel expenses and entertainment must be adequately described to be paid.”⁵⁵ However, as GAO found in its August 2004 review of TVC, Committee staff found that these policies were not consistently enforced.⁵⁶ Despite reassurance from TVC officials that such deficiencies had been addressed,⁵⁷ TVC has routinely failed to enforce expense reimbursement policies since that time.

Since October 2004, TVC’s top two executives, former president Walter Blackwell and current acting president John Madigan, have together incurred more than \$5,000 per month in expenses on behalf of TVC, totaling over \$257,000.⁵⁸ Given the frequency of purchases and the high value of the expenses incurred by these executives, consistent reporting procedures and appropriate review of these purchases are critical to preventing wasteful and inappropriate spending. Unfortunately, Committee staff’s review of TVC’s records revealed significant deficiencies in the expense reimbursement process for these executives.

For example, an initial review of TVC’s expense reports revealed that TVC’s top two executives incurred \$105,951.74 in expenses on their company-issued credit cards since FY 2005.⁵⁹ Committee staff questioned whether these reports in fact included all credit card expenditures and requested that TVC provide the monthly statements for these accounts. Mr. Madigan assured Committee staff that the expense reports included all credit card purchases and declined to provide the requested statements. Upon reviewing the statements obtained by subpoena from TVC’s financial institutions, it was determined that this was not the case. The actual amount of credit card purchases by these executives was \$197,738.13,⁶⁰ nearly double the number recorded in the expense reports. Therefore, it appears that TVC inappropriately paid for \$91,786.39 in credit card expenses that were never properly documented by TVC’s executives and thus not eligible for reimbursement.

Additionally, Committee staff found numerous instances of expense reports for these two executives that were never properly approved, yet the amounts were paid. These unapproved expense reports totaled \$41,090.46.⁶¹ When combined with the unreported credit card purchases, these findings show that between FY 2005 and FY 2007 over \$132,000 in expenses—more than half of the total expenses incurred by Mr. Blackwell and Mr. Madigan—were never reviewed and approved through the appropriate channels.

Committee staff also found numerous problematic expense reports, including reports that were approved after the executive had already been reimbursed, reports that were not supported by adequate documentation evidencing a legitimate business purpose, and several instances where executives either approved their own expense reports or had them approved by a subordinate employee who was under their direct supervision. During an interview with

Committee staff, Mr. Madigan claimed that he followed proper procedures, but provided no documentation for this assertion.⁶² Each of these practices exposed TVC to significant risks of waste and abuse of taxpayer dollars and clearly violated the expense reimbursement policies set forth in TVC's Employee Handbook.

Even where expenses may have been documented and reviewed, TVC's executives appeared to have at times demonstrated disregard for the value of taxpayer dollars. For example, from FY 2005 through FY 2007, Mr. Blackwell and Mr. Madigan together incurred over \$40,000 in meal expenses.⁶³ TVC's executives often expensed meals at premium restaurants, with suspect claims of a legitimate business purpose. Even if some of these expenditures could be explained, taken in their totality and coupled with the financial straits of TVC, it appears as though there was a general disregard for TVC's financial status. Moreover, many of these meals appear to violate TVC's policy prohibiting reimbursement for meals in the Washington, D.C. area.⁶⁴ See Appendix B.

TVC's executives also demonstrated questionable spending habits in connection with business travel practices. Travel arrangements included first class seating on Amtrak and accommodations at luxury hotels, such as the Fairmont Miramar Hotel & Bungalows in Santa Monica, California (\$327 per night) and Rosewood Mansion on Turtle Creek in Dallas, Texas (\$380 per night).⁶⁵ Travel expenses frequently included use of the mini-bar and in-room movie rentals, both violations of TVC policies explicitly prohibiting these expenses.⁶⁶ In total, these executives spent more than \$100,000 for travel and hotel costs since 2005.

In addition to these costs, Mr. Blackwell's contract entitled him to reimbursement of expenses associated with his membership in The Tower Club, a private dining and entertainment establishment.⁶⁷ Although Mr. Blackwell's contract required submission of receipts for specific business purposes in order to receive reimbursement, TVC provided no evidence of this documentation for more than \$10,000 in Tower Club expenses.

While some of the many costs that were incurred without proper approval may have been legitimate business expenses, numerous highly-questionable expenses were paid without any evidence of review. These included purchases of flowers for personal events, party decorations, limousine service, memberships to various airline club lounge programs, and several car washes. Additionally, a number of purchases made by TVC employees, some of which had been approved by TVC's executives, were also questionable, including \$143 for "thank you flowers" sent to Mr. Blackwell and Mr. Madigan by TVC's director of finance, and \$285 for "board member appreciation" cookies.⁶⁸ These purchases demonstrate a troubling disregard for TVC's role as a steward of taxpayer dollars and a complete disregard for the organization's internal policies.

TVC officials assured Committee staff that the documents supplied in response to the Committee's investigation represented the full records maintained by the organization pertaining to expense reimbursement and activity on company-provided credit cards. However, the Committee's investigation found that numerous meals and travel expenses were reimbursed despite the fact that no receipts were included to substantiate the purchases. Where receipts were included, expense reports routinely lacked information such as the description of the business purpose or the names of people in attendance for meal or entertainment expenses. Even where a description was provided, it was frequently limited to vague or cursory statements such as "business lunch," "snack," or "area travel."⁶⁹

Beyond the obvious failures in internal controls and unchecked spending of federal funds, some of the questionable expenses incurred by TVC officials could also have tax implications. While it was beyond the scope of the Committee's review to itemize these expenses and estimate a total, it appears that a significant number of TVC's expenses may warrant treatment as taxable income to the employee who incurred them. For instance, questionable and undocumented purchases by TVC's executives may have income tax implications under the IRS's "accountable plan" regulations.⁷⁰

Failed Fundraising Efforts. Unlike most private, nonprofit corporations, the vast majority of TVC's funding emanates from annual Congressional appropriations; however, this is not what PL 106-50 contemplated. When Congress created TVC, it provided \$12 million of initial funding over four years, with the expectation that TVC would achieve financial self-sufficiency thereafter.⁷¹ To that end, PL 106-50 called for TVC to implement a plan to raise non-federal funds and become a self-sustaining organization.⁷² TVC has not achieved self-sufficiency since its authorization expired and, instead, has continued to rely almost exclusively on receiving the vast majority of its funding through annual appropriations from Congress.

TVC's failure to achieve self-sufficiency—or make marginal progress in that direction—has been the result of its inability to raise funds from the private sector despite employing a fulltime director of development and establishing a fundraising committee, which was dissolved in October 2006 due to more than a year of inactivity. In fact, since FY 2005, TVC's average fundraising costs-to-contributions ratio is 2.5-to-1—meaning that for every dollar raised, TVC spent \$2.50 to raise it.⁷³ While many nonprofit experts disagree on a precise "fundraising ratio," one reliable source has determined that a nonprofit should not spend more than 35 cents to raise one dollar.⁷⁴ In FY 2007, TVC incurred \$240,494⁷⁵ in fundraising expenses to raise only \$64,135, thus spending \$3.75 for every dollar raised—nearly eleven times the acceptable level.

In the absence of a successful private fundraising program, TVC has focused much of its efforts on lobbying members of Congress for annual appropriations.

Committee staff found that a few of the expenditures made by a TVC employee in connection with those lobbying activities could constitute a violation of Congressional ethics rules. These potential violations have been referred to the House Committee on Standards of Official Conduct for review.

C. Causes of Failures

TVC's poor management of taxpayer funds and its inability to properly implement successful programs have resulted in an overall failure to achieve its statutory mission. While each Board member interviewed by Committee staff acknowledged that failure, the reasons cited by Board members for TVC's lack of success were many and varied. Nonetheless, Committee staff was able to identify two major areas that significantly contributed to TVC's failures: ineffective board governance and fragmented oversight.

Ineffective Board Governance. PL 106-50 requires that TVC be governed by its twelve-person Board, which consists of nine voting members appointed by the President, and three nonvoting, *ex officio* members⁷⁶ comprised of the Administrator of the Small Business Administration (SBA), the Secretary of Defense, and the Secretary of Veterans Affairs.⁷⁷ However, TVC places substantial decision-making authority in the hands of its executive committee—a practice that requires several safeguards to prevent proper board decision-making procedures from being circumvented by the committee.

According to the American Bar Association (ABA) Guidebook for Directors of Nonprofit Corporations, a nonprofit organization must use caution when creating an executive committee.⁷⁸ First, the ABA states that an executive committee's purpose and authority should be stated in detail in the bylaws or in the board resolution creating the committee.⁷⁹ Second, with respect to the executive committee's purpose, the group should act on behalf of the board between the board's regular meetings or when an assembly of a quorum would be impractical or impossible.⁸⁰ Last, the ABA cautions against overly broad delegations of authority to an executive committee because they tend to diminish the critical role played by the full board—especially when the power to appoint the committee is dominated by a “bloc” of directors.⁸¹

TVC's five-person executive committee holds broad authority to oversee all issues related to the nonprofit. Its purpose is to: “... provide general oversight for the Board of Directors on *all* issues related to the Corporation.”⁸² It also can act on behalf of the entire Board whenever necessary—not just between regular Board meetings or under unique circumstances. This vague purpose and broad authority is inconsistent with the best practices suggested by the ABA.

TVC's executive committee is comprised of the chairperson of the Board, the treasurer, and the chairs of the audit, corporate governance, and business development committees.⁸³ In turn, each of those positions is appointed by

majority vote of the Board.⁸⁴ This arrangement creates the risk that a majority bloc can appoint its own members to those positions that comprise the executive committee, and effectively circumvent proper Board decision-making procedures. Board members interviewed by Committee staff expressed conflicting views on whether TVC's executive committee was used to circumvent the Board's decision-making process. Two of the five members of the executive committee (e.g., the minority voting bloc) told Committee staff that certain actions were taken at committee meetings because TVC's leadership knew that the full Board would not approve the actions.⁸⁵ Meanwhile, those in the majority voting bloc of the executive committee denied such circumvention took place.⁸⁶

Under TVC's bylaws, each Board member is entitled to attend any executive committee meeting.⁸⁷ However, another common concern shared by several Board members interviewed by Committee staff—including two that currently serve on the executive committee—was that no executive meeting notices are sent to non-executive committee Board members.⁸⁸ If meeting notices were not delivered to all Board members, it was obviously difficult for members who are not a part of the executive committee to attend the meetings, as permitted under TVC's bylaws.

Further, several Board members complained that the executive committee consistently failed to inform the full Board of decisions that were made by the committee at its meetings.⁸⁹ Regardless of how broad an executive committee's delegation of authority may be, its members must always be held accountable to the board of directors as a whole.⁹⁰ Accordingly, all board members should receive sufficient information regarding executive committee decisions to allow them to evaluate whether delegations of authority to the committee are appropriate.⁹¹ The ABA recommends that the executive committee, at each full board meeting, inform the board of any committee actions taken since the previous board meeting.⁹² However, there is no requirement, in either TVC's board manual or its bylaws, that such ratification take place.

Committee staff found evidence that beginning late last year, a number of executive committee decisions were never approved, ratified, or even communicated to the full Board at its next meeting. For example, at a December 4, 2007 meeting, the executive committee approved \$40,000 in employee bonuses, including \$20,000 to Walter Blackwell.⁹³ But neither the minutes of the subsequent Board meeting held on February 27, 2008, nor the resolutions approved at that Board meeting, contain any mention of the executive committee's decision to award the bonuses.⁹⁴ The bonus awards were formally approved at a March 27, 2008 Board meeting in a blanket resolution "to accept" all actions taken by the executive committee.⁹⁵ However, Committee staff determined that the bonus awards were disbursed to Mr. Blackwell and TVC employees shortly after the December 4, 2007, executive meeting—more than 2 months *before* the awards were approved by the Board.

Similarly, the checks for the 2008 grant awards were also issued and cashed shortly after the executive committee approved the awards at its February 12, 2008 meeting.⁹⁶ Committee staff found that each of those checks was issued by TVC the following day. However, the awards were not considered by the Board until a March 27, 2008 meeting, when the Board members in attendance voted to approve a blanket resolution “to accept” all actions taken by the executive committee since December 4, 2007.⁹⁷ Thus, the ratification came six weeks *after* the checks were disbursed to the grant recipients.

Committee staff found other instances where TVC executive committee actions were not properly approved by the full Board. For instance, the severance package awarded to Mr. Blackwell—which included a lump sum payment of approximately \$27,000—has never been approved by the full Board. Nonetheless, the severance payment appears to have been made to Mr. Blackwell during the pay periods immediately following the May 5, 2008 executive committee meeting, when the package was approved. According to TVC’s Board chair, the executive committee has a history of approving employee compensation packages without full Board approval;⁹⁸ however, Committee staff found no such historical evidence. Moreover, one of the key responsibilities of a board is to determine a compensation package for its chief executive.⁹⁹ Accordingly, the organization’s governing documents should always require the full board to evaluate the performance and approve the compensation of the chief executive in advance of any change in compensation.¹⁰⁰

Although the executive committee’s failure to seek and obtain full Board approval for its actions is objectionable in its own right, Board members ultimately bear responsibility for the issues surrounding TVC and its leadership. While overbroad delegations of authority are problematic, the full board nonetheless retains its fiduciary obligations to the organization—even when the organization acts frequently through an executive committee. In other words, Directors who do not sit on an executive committee retain a duty to oversee the executive committee’s actions.¹⁰¹ Accordingly, best practices dictate that a nonprofit’s full board should periodically evaluate whether it is meeting its fiduciary obligations through a delegation of authority to an executive committee. The full board should also determine, on a regular basis, whether the board effectively oversees and has the opportunity to provide input regarding executive committee decisions.¹⁰² TVC’s bylaws generally reflect these concepts by stating that the delegations of authority to the executive committee “. . . shall not operate to relieve the Board of Directors, or any individual director of any responsibility imposed upon it or him by law.”¹⁰³ Therefore, all Board members bear some responsibility for the executive committee’s actions.

Each Board member interviewed by Committee staff admitted that the Board has regularly been plagued by internal struggles and divisiveness so extreme as to seriously curtail TVC’s ability to perform its statutory mission. One Board member resigned in 2007 because of the strife, citing Mr. Blackwell’s ineffective

leadership of the organization.¹⁰⁴ This is regrettable because each Board member appears to care about veterans and none is individually to blame for TVC's failures. Nonetheless, Committee staff found that a number of Board members appeared to be insufficiently engaged in TVC's affairs. For instance, the chair of TVC's audit committee could not name the other members of that committee.¹⁰⁵ Similarly, a member of the executive committee could not correctly identify his fellow committee members. Such disengagement is unacceptable given the critical roles those committees play in governing TVC.

Unique Legal Status of TVC Led to Fragmented Oversight. TVC's status as a private entity—outside the reach of typical federal agency oversight, yet almost entirely dependent upon federal funds—makes proper oversight of the organization's activities especially difficult. TVC is a private, non-governmental entity.¹⁰⁶ As such, TVC is not subject to the oversight authority of any federal agency, such as the SBA or the Department of Veterans Affairs. Moreover, unlike other federally-chartered, nonprofit corporations, TVC is not subject to the Inspector General Act of 1978;¹⁰⁷ nor is it subject to the federal guidelines for proper internal financial controls, Office of Management and Budget (OMB) Circular A-123.¹⁰⁸ Thus, no independent office is charged with conducting audits or investigations of TVC's activities and keeping Board members, as well as members of Congress, informed about problems that may arise with such activities. Currently, TVC is subject only to Congressional oversight authority, either through the annual appropriations process, GAO reports, or by responding to Congressional inquiries.¹⁰⁹ These oversight mechanisms are effective, but very limited in scope, making it difficult for lawmakers to properly monitor TVC's activities and operations. Moreover, the lack of systematic oversight over TVC diminishes any long-term effects Congressional oversight would have in changing TVC's culture.

Even where federal law requires oversight mechanisms, TVC either ignored, or was incorrectly advised of, its obligation to comply. Specifically, as a nonprofit organization that expends more than \$500,000 in federal awards annually,¹¹⁰ TVC must comply with the provisions of OMB Circular A-133 (A-133), a federal regulation issued pursuant to the Single Audit Act of 1984.¹¹¹ The Single Audit Act was designed to improve financial management of federal assistance by providing for a uniform, organization-wide audit of federal assistance recipients.¹¹² A single audit consists of a traditional audit conducted by specially trained, certified public accountants, as well as an assessment of the organization's internal control structure. Overall, these audits are a rigorous form of nonprofit oversight.¹¹³

According to the Single Audit Database, maintained by the Federal Audit Clearinghouse,¹¹⁴ TVC complied with the requirements of A-133 and underwent single audits between FY 2001 and FY 2005. But at the urging of Mr. Blackwell, TVC changed auditing firms in 2006.¹¹⁵ The new auditing firm advised that—despite all indications that TVC classifies itself as a private entity—the

organization should be considered a *federal* entity for the purposes of the Single Audit Act, and thus not subject to the requirements of A-133. Since then, no single audits have been performed. Board minutes suggest that the auditing firm made this determination despite a contrary opinion from TVC's legal counsel and explicit statutory language stating that TVC "... is a private entity and is not an agency, instrumentality, authority, entity, or establishment of the United States Government."¹¹⁶ During an interview with Committee staff, TVC's former director of finance stated that she thought TVC's audits were A-133 compliant.¹¹⁷ TVC's failure to comply with the requirements of A-133 has removed a vital external check on the organization's internal controls, as well as an additional means to measure its efficiency and effectiveness in expending taxpayer dollars.

V. Committee Recommendations

PL 106-50 required that TVC "... institute and implement a plan to raise private funds and become a self-sustaining corporation."¹¹⁸ Unfortunately, throughout its entire history TVC has neither achieved self-sufficiency, nor has it shown significant progress toward this goal. Although the statute only authorized funding through Fiscal Year 2003, TVC has continued to receive annual appropriations—a full \$17 million in taxpayer funds to date. The President recommended that TVC should be awarded no additional federal funding, zeroing-out funding for the organization in the Administration's FY 2008 and FY 2009 budget requests. Moreover, TVC's leadership has recently expressed that it is unlikely that the organization will ever become self-sufficient and will likely rely on continued federal funding in order to operate.¹¹⁹ When asked by Committee staff whether they felt that TVC has provided an adequate return on taxpayer investment, TVC's Board members agreed that it has not.

In addition to TVC's financial woes and the Board members' own admission that taxpayers have not received an adequate return on their investment, the Committee is troubled by conflicts within the organization and the perceptions surrounding TVC in the veterans' community. For example, the American Legion recently called for TVC's dissolution in a resolution passed at its national convention which stated that the Legion "no longer support[s] the continuing initiatives or existence" of TVC.¹²⁰

When assessing the future of TVC, the Committee's top priority was to ensure that our nation's veterans receive the assistance and resources they have rightfully earned, while simultaneously safeguarding taxpayer funds. **In light of these priorities, the Committee recommends that TVC not receive additional federal funding for FY 2009 and beyond.**

Through its misguided programs, excessive executive compensation, and questionable spending decisions, TVC has squandered hundreds of thousands—if not millions—in taxpayer dollars. And despite TVC's poor track record, lack of effective programs, deviation from its statutory mission, and failure to make

significant progress toward becoming self-sufficient, the organization continues to seek federal funding. Based on its findings, the Committee cannot support those efforts. **If—in the absence of federal funding—TVC cannot adequately support the Centers, the Committee recommends that additional funds be provided to the SBA’s Office of Veteran Business Development to allow incorporation of the Centers into the SBA’s existing Veterans Business Outreach Center (VBOC) network.**

The VBOCs provide business training, counseling, mentoring and referrals to veteran entrepreneurs. There are currently five VBOCs across the country (New York, Pennsylvania, Florida, Texas, and California). In addition, the SBA has recently launched the “Veterans Assistance and Services Grants” program, which provides funding to Small Business Development Centers (SBDCs). The SBDCs use these funds to provide specialized entrepreneurial training to America’s veterans via a network of over 1,500 SBDCs located throughout the country. With experience in assisting veteran entrepreneurs, a network of partners, and a structure that allows for stronger oversight, the SBA’s Office of Veteran Business Development is uniquely positioned to coordinate and leverage resources to assist VBOCs and the Centers in veterans’ business development.

¹ See, U.S. GOV’T ACCOUNTABILITY OFFICE, GAO-04-893, THE NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION FACES CHALLENGES IN PLANNING FOR AND ACHIEVING FINANCIAL SELF-SUFFICIENCY (2004), U.S. GOV’T ACCOUNTABILITY OFFICE, GAO-03-434, THE NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION’S PROGRESS IN PROVIDING SMALL BUSINESS ASSISTANCE TO VETERANS (2003).

² Information Paper from the Dept. of Veterans Affairs. (Oct. 27, 2008).

³ CONGRESSIONAL COMM’N ON SERV. MEMBERS AND VETERANS TRANSITION ASSISTANCE, FINAL REPORT, at 1 (1999).

⁴ *Id.* at 144-49; SBA VETERANS AFFAIRS TASK FORCE FOR ENTREPRENEURSHIP, FINAL REPORT, at 174-76 (1998).

⁵ Veterans Entrepreneurship and Small Business Development Act of 1999, Pub. L. No. 106-50, 113 Stat. 233 (1999).

⁶ 15 U.S.C. § 657c(b)(1) (2008).

⁷ 15 U.S.C. § 657c(b)(2) (2008).

⁸ 15 U.S.C. § 657c(f) (2008).

⁹ CONGRESSIONAL COMM’N ON SERV. MEMBERS AND VETERANS TRANSITION ASSISTANCE, FINAL REPORT 1 (1999), at 2.

¹⁰ Information Paper from the Dept. of Def. to Cong. Research Serv. (Aug. 1, 2008).

¹¹ For further information on the circumstances surrounding this criticism of United Way chapters, see Brad Wolverton, *What Went Wrong?* The Chron. of Philanthropy, Sept. 4, 2003; Stephanie Strom, *United Way Says Ex-Leader Took Assets*, New York Times, April 14, 2006.

¹² Paul C. Light, *To Give or Not to Give: The Crisis of Confidence in Charities*, The Brookings Institution Policy Brief, Reform Watch #7, December 1, 2003.

¹³ 15 U.S.C. § 657c(b)(1) (2008).

¹⁴ 15 U.S.C. § 657c(b)(2) (2008).

¹⁵ 15 U.S.C. § 657c(f) (2008).

¹⁶ S. REP. NO. 106-136, at 8 (1999); 145 CONG. REC. 14,612 (1999).

¹⁷ S. REP. NO. 106-136, at 8; H.R. REP. NO. 106-206, at 18.

¹⁸ The Center in San Diego was “re-missioned” to focus nationally on service disabled entrepreneurial issues. See Minutes of The Veterans Corporation Board of Directors Meeting, at 7 (April 23, 2006).

¹⁹ THE VETERANS CORPORATION, ANNUAL REPORT: FISCAL YEARS 2004-2005, at 11 (Alexandria, VA: undated).

²⁰ The Veterans Corporation, *Annual Report: Fiscal Year 2007*, (Washington, DC: undated), p. ii; Minutes of The Veterans Corporation Board of Directors meeting dated October 29, 2006, at 2; The Veterans Corporation, *Annual Report: Fiscal Years 2004-2005*, (Alexandria, VA: undated), at 48.

²¹ *Id.* at 11

²² Committee interview with Ray Jardine (September 12, 2008); Committee interview of Richard Ochsner (September, 16, 2008); Committee interview with George Butvilas (September 25, 2008); Committee interview with Greg Rothman (September 26, 2008).

²³ THE VETERANS CORPORATION, ANNUAL REPORT: FISCAL YEAR 2006.

²⁴ THE VETERANS CORPORATION, ANNUAL REPORT: FISCAL YEAR 2007, at ii (Washington, DC: undated); Minutes of The Veterans Corporation Board of Directors Meeting, at 2 (October 29, 2006); THE VETERANS CORPORATION, ANNUAL REPORT: FISCAL YEARS 2004-2005, at 48.

²⁵ THE VETERANS CORPORATION, ANNUAL REPORT: FISCAL YEAR 2007, at 1; Minutes of The Veterans Corporation Board of Directors Meeting, at 5 (October 29, 2006).

²⁶ THE VETERANS CORPORATION, ANNUAL REPORT: FISCAL YEAR 2006, at 8.

²⁷ Minutes of The Veterans Corporation Executive Committee Meeting, at 1 (February 12, 2008).

²⁸ Letter from The Veterans Corporation to U.S. Senate Committee on Small Business & Entrepreneurship (September 25, 2007).

²⁹ See, LOUIS J. CELLI, JR., RESTRUCTURING THE NATIONAL BUSINESS DEVELOPMENT CORPORATION, AKA THE VETERANS CORPORATION (n.d.).

³⁰ Committee interview with Ray Jardine (September 12, 2008).

³¹ Angela Tablac, *Out of Money, Out of Hope Veterans Business Resource Center Director Says Doors Will Close Since Funding Has Been Cut in Half*, ST. LOUIS POST-DISPATCH, March 4, 2008, at C1; Bryan Bender, *Lawrence Center for Veterans May Close*, BOSTON GLOBE, March 5, 2008, at B1; Melissa Burden, *Nonprofit that Helps Veterans to Close; Federal Funding Not in Latest Bill*, FLINT JOURNAL (Flint, MI), July 1, 2008.

³² This calculation was based on a document submitted to the Committee by TVC, which set forth TVC’s description of the costs incurred for the essay award program over the past two fiscal years.

³³ See, Exhibit I.

³⁴ Committee interview with Ray Jardine (September 12, 2008); Committee interview of Richard Ochsner (September 16, 2008); Committee interview with George Butvilas (September 25, 2008); Committee interview with Greg Rothman (September 26, 2008); Committee interview with Gordon Brenner (October 1, 2008).

³⁵ See HARRY P. HATRY, ELAINE MORLEY, & ELISA VINSON, OUTCOME MEASUREMENT IN NONPROFIT ORGANIZATIONS: CURRENT PRACTICES AND RECOMMENDATIONS, at 5 (The Independent Sector 2001).

³⁶ *Id.*

³⁷ *Id.*

³⁸ U.S. GOV’T ACCOUNTABILITY OFFICE, GAO-04-893, THE NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION FACES CHALLENGES IN PLANNING FOR AND ACHIEVING FINANCIAL SELF-SUFFICIENCY, at 22 (2004).

³⁹ See THE VETERANS CORPORATION, ANNUAL REPORT: FISCAL YEAR 2007, at 3 (Washington, DC: undated).

⁴⁰ See, e.g., materials available through the United Way’s Outcome Measurement Resource Network at <http://www.liveunited.org/outcomes/>; materials available through the Urban Institute’s Outcome Indicators Project at <http://www.urban.org/center/cnp/projects/outcomeindicators.cfm>.

⁴¹ THE VETERANS CORPORATION, ANNUAL REPORT: FISCAL YEAR 2007, at 3.

⁴² *Id.*

⁴³ Tax Filing, IRS Form 990 for The Veterans Corporation (FY 2007), Schedule A, Part II-B;

License Agreement dated July 1, 2007 between The Veterans Corporation and Virtual Advisor, Inc.

⁴⁴ THE VETERANS CORPORATION, ANNUAL REPORT: FISCAL YEAR 2007, at 3.

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ Committee interview with Ray Jardine (September 12, 2008); Committee interview with Richard Ochsner (September 16, 2008); Committee interview with Greg Rothman (September 26, 2008).

⁴⁸ CHARITY NAVIGATOR, 2007 CEO COMPENSATION STUDY (2007), <http://www.charitynavigator.org/index.cfm?bay=content.view&cpid=630> (last visited Nov. 14, 2008).

⁴⁹ This amount was calculated by including the following information from each organization's most recently filed IRS Form 990: salary, cash bonuses, and expense accounts. Contributions to benefit plans or deferred compensation were not included. *Id.*

⁵⁰ Minutes of The Veterans Corporation Board of Directors Meeting, at 5-6 (July 23, 2006).

⁵¹ *Id.* at 5.

⁵² Minutes of The Veterans Corporation Executive Committee Meeting, at 1 (May 6, 2008).

⁵³ *Id.*

⁵⁴ The Veterans Corporation, *Introduction Statement of EMPLOYEE HANDBOOK* (July 2005).

⁵⁵ VETERANS CORPORATION, EMPLOYEE HANDBOOK, at § 11.2 (July 2005).

⁵⁶ U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-04-893, THE NATIONAL VETERANS BUSINESS DEVELOPMENT CORPORATION FACES CHALLENGES IN PLANNING FOR AND ACHIEVING FINANCIAL SELF-SUFFICIENCY, at 19 (2004).

⁵⁷ *Id.*

⁵⁸ This calculation was based on a review of line items in credit card statements subpoenaed by the Committee from TVC's credit card issuer and cash reimbursement line items from the TVC expense reports supplied in connection with the Committee's investigation.

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ This calculation was based on a review of cash reimbursement line items from the TVC expense reports supplied in connection with the Committee's investigation.

⁶² Committee interview with John Madigan (September 23, 2008).

⁶³ This calculation was based on a review of line items in credit card statements subpoenaed by the Committee from TVC's credit card issuer and cash reimbursement line items from the TVC expense reports supplied in connection with the Committee's investigation.

⁶⁴ "The Veterans Corporation will reimburse employees for the cost of meals while on approved business travel ... [m]eals in the Washington, DC area will generally not be reimbursed by the company unless approved business entertainment is involved or in conjunction with a Board of Directors' meeting." EMPLOYEE HANDBOOK, at § 11.4.

⁶⁵ *See*, Exhibit 2.

⁶⁶ EMPLOYEE HANDBOOK, at § 11.4.

⁶⁷ Employment Agreement between The Veterans Corporation and Walter G. Blackwell, dated March 7, 2007.

⁶⁸ *See*, Exhibit 3.

⁶⁹ *See*, Exhibit 4.

⁷⁰ Generally, payments made to a "disqualified person" (any employee in a position to exercise substantial influence over the affairs of the organization) outside an accountable plan are treated as "excess benefit transactions"—and potentially subject to additional taxes—if the payments are not reported as taxable compensation to the employee. 26 U.S.C. § 4958(f)(1) (2008); 26 U.S.C. § 4958(a)-(b) (2008).

⁷¹ 15 U.S.C. § 657c(j) (2008); 145 CONG. REC. 20,013 (1999).

⁷² 15 U.S.C. § 657c(j)(3) (2008).

⁷³ Tax Filing, IRS Form 990, for The Veterans Corporation (FY 2005-2007).

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- ⁷⁴ COUNCIL ON BETTER BUSINESS BUREAUS WISE GIVING ALLIANCE, STANDARDS FOR CHARITY ACCOUNTABILITY (Better Business Bureau) (2003); <http://us.bbb.org/WWWRoot/SitePage.aspx?site=113&id=4dd040fd-08af-4dd2-aaa0-dcd66c1a17fc> (last visited Nov. 14, 2008).
- ⁷⁵ IRS Form 990, for The Veterans Corporation (FY 2007).
- ⁷⁶ These ex officio members have typically been represented at TVC Board meetings by the relevant agency officials in charge of veteran entrepreneurship affairs.
- ⁷⁷ 15 U.S.C. § 657c(c) (2008).
- ⁷⁸ ABA COMMITTEE ON NONPROFIT CORPORATIONS, GUIDEBOOK FOR DIRECTORS OF NONPROFIT CORPORATIONS, at 50 (Jeannie Carmedelle Frey & George W. Overton eds., ABA Section of Business Law 2d ed. 2005) (2002).
- ⁷⁹ *Id.*
- ⁸⁰ *Id.*, at 51.
- ⁸¹ Revised Model Nonprofit Corporation Law § 8.25 cmt. (ABA 1987).
- ⁸² THE VETERANS CORPORATION, BYLAWS § 4.02.A (emphasis added).
- ⁸³ *Id.*
- ⁸⁴ *Id.* at § 4.02.A; § 4.02.B.
- ⁸⁵ Committee interview with Ray Jardine (September 12, 2008); Committee interview with Greg Rothman (September 26, 2008).
- ⁸⁶ Committee interview with Jeffrey Gault (September 25, 2008); Committee interview with John Christensen (September 26, 2008); Committee interview with Gordon Brenner (October 1, 2008).
- ⁸⁷ THE VETERANS CORPORATION, BYLAWS § 4.02.A.
- ⁸⁸ Committee interview with Ray Jardine (September 12, 2008); Committee interview with Richard Ochsner (September 16, 2008).
- ⁸⁹ Committee interview with Ray Jardine (September 12, 2008); Committee interview with Richard Ochsner (September 16, 2008); Committee interview with George Butvilas (September 25, 2008); Committee interview with Greg Rothman (September 26, 2008).
- ⁹⁰ ABA COMMITTEE ON NONPROFIT CORPORATIONS, GUIDEBOOK FOR DIRECTORS OF NONPROFIT CORPORATIONS, at 25 (Jeannie Carmedelle Frey & George W. Overton eds., ABA Section of Business Law 2d ed. 2005) (2002).
- ⁹¹ *Id.*
- ⁹² *Id.* at 52.
- ⁹³ Minutes of The Veterans Corporation Executive Committee Meeting, at 1 (December 4, 2007).
- ⁹⁴ Minutes of The Veterans Corporation Board of Directors Meeting (February 27, 2008).
- ⁹⁵ Minutes of The Veterans Corporation Board of Directors Special Meeting, at 2-3 (March 27, 2008); Committee interview with Jeffrey Gault (September 25, 2008).
- ⁹⁶ Minutes of The Veterans Corporation Executive Committee Meeting, at 1 (February 12, 2008).
- ⁹⁷ Minutes of The Veterans Corporation Board of Directors Special Meeting, at 2-3 (March 27, 2008).
- ⁹⁸ Committee interview with Jeffrey Gault (September 25, 2008).
- ⁹⁹ PANEL ON THE NONPROFIT SECTOR, PRINCIPLES FOR GOOD GOVERNANCE AND ETHICAL PRACTICE: A GUIDE FOR CHARITIES AND FOUNDATIONS, at 15 (Independent Sector, October 2007).
- ¹⁰⁰ PANEL ON THE NONPROFIT SECTOR, REPORT TO CONGRESS AND THE NONPROFIT SECTOR ON GOVERNANCE, TRANSPARENCY, AND ACCOUNTABILITY, at 67 (Independent Sector, June 2005).
- ¹⁰¹ ABA COMMITTEE ON NONPROFIT CORPORATIONS, GUIDEBOOK FOR DIRECTORS OF NONPROFIT CORPORATIONS, at 25 (Jeannie Carmedelle Frey & George W. Overton eds., ABA Section of Business Law 2d ed. 2005) (2002).
- ¹⁰² *Id.* at 52.
- ¹⁰³ THE VETERANS CORPORATION, BYLAWS § 4.02.A.
- ¹⁰⁴ Letter from Jo Ann K. Webb to the President dated July 10, 2007.
- ¹⁰⁵ Committee interview with Gordon Brenner (October 1, 2008).
- ¹⁰⁶ 15 U.S.C. § 657c(a) (2008).
- ¹⁰⁷ *See*, 5 U.S.C. appx. § 8G (2008).
- ¹⁰⁸ *See*, 31 U.S.C. § 3512 *et seq.* (2008).

¹⁰⁹ PL 106-50 requires that TVC file an annual report with the President and Congress, describing the organization's activities and accomplishments for the preceding fiscal year. 15 U.S.C. § 657c(g) (2008).

¹¹⁰ 31 U.S.C. § 7501 *et seq.* The 1984 version of the Single Audit Act established a \$100,000 threshold to determine whether the entity would be required to have a single audit. The 1996 amendments to the act raised that threshold to \$300,000. The amendments also required OMB to conduct a biennial review of the threshold and gave OMB the authority to increase it as appropriate. When OMB issued a revised version of Circular A-133 in 2003, the threshold was increased to \$500,000, the current threshold.

¹¹¹ 31 U.S.C. § 7502(a)(1)(A) (2008). The act defines a "non-Federal entity" as "a State, local government, or nonprofit organization." *Id.* at § 7501(a)(13). The act defines "Federal award" as "Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities." *Id.* at § 7501(a)(4). The act defines "Federal financial assistance" to include direct appropriations from Congress. *See id.* at § 7501(a)(5).

¹¹² S. REP. NO. 98-234, at 2 (1983).

¹¹³ Elizabeth K. Keating, et al., *The Single Audit Act: How Compliant Are Nonprofit Organizations?* at 1-2 (The Hauser Center for Nonprofit Organizations, Harvard University, Working Paper No. 16, March 2003).

¹¹⁴ *See*, Federal Audit Clearinghouse Home Page, <http://harvester.census.gov/sac/dissem/entity.html>.

¹¹⁵ Minutes of The Veterans Corporation Board of Directors Meeting, at 5 (October 30, 2005); Minutes of The Veterans Corporation Board of Directors Meeting, at 4 (January 22, 2006).

¹¹⁶ 15 U.S.C. § 657c(a). Committee staff obtained documents which state that TVC's auditing firm relies on the Revised 2006 List of Designated Federal Entities and Federal Entities, published by OMB, as evidence that TVC is not subject to A-133. *See* 71 Fed. Reg. 39,690-02 (July 13, 2006). This list is produced for the purposes of identifying entities that must either establish an Office of Inspector General or report annually to Congress and OMB on audit and investigative activities in their organizations, for the purposes of the Inspector General Act of 1978; the list is unrelated to the Single Audit Act. Even in the event that relying on this list was appropriate at one time, OMB removed TVC from the 2007 List of Designated Federal Entities and Federal Entities. *See* 72 Fed. Reg. 67,985-01 (Dec. 3, 2007).

¹¹⁷ Committee interview with Donna Brown (September 23, 2008).

¹¹⁸ 15 U.S.C. § 657c(j)(3) (2008).

¹¹⁹ Committee interview with John Madigan (September 23, 2008).

¹²⁰ Am. Legion Res. No. 223 (2008).

Appendix A

Table 1 – CEO Compensation as a Percentage of Total Expenses

	Walter Blackwell	John Madigan	CEO Average
<u>2007</u>			
Total Compensation	\$187,384	\$150,788	\$145,270
% of Total Expenses	7.91%	6.37%	3.37%
<u>2006</u>			
Total Compensation	\$169,402	\$132,910	\$141,947
% of Total Expenses	8.30%	6.51%	3.37%

Table 2 – CEO Compensation as a Percentage of Appropriation

	Walter Blackwell	John Madigan	Combined
<u>2007</u>			
Total Compensation	\$187,384	\$150,788	\$338,172
% of Appropriation	12.49%	10.05%	22.54%
<u>2006</u>			
Total Compensation	\$169,402	\$132,910	\$302,312
% of Appropriation	10.80%	8.47%	19.27%

Appendix B

Selection of TVC Executives' Meal Expenses

Amount	Location	Description of Business Justification
\$2,427.20	Bobby Van's Steakhouse	None
\$2,667.00	Bobby Van's Steakhouse	None
\$932.75	Twig's Restaurant	Board Dinner
\$693.30	BLT Steak	Going away party for an employee
\$539.45	Brasserie Beck	"Staff Appreciation Lunch"
\$233.46	The Four Seasons Restaurant (New York)	None
\$283.95	Olives Restaurant	Walter Blackwell birthday celebration
\$680.25	The Occidental Grill	None
\$556.01	Ruth's Chris Steakhouse	Board Dinner
\$518.55	The Source Restaurant	None
\$378.40	Brasserie Beck	"Staff Celebration Lunch - FY '08 Appropriations"
\$104.63	Zola	Employee's "Bonus Celebration Lunch"
\$255.40	Charlie Palmer Steak	"Thank you for supporting TVC" dinner with a Congressional staffer*
\$285.88	Teatro Goldoni	None

* This expenditure has been referred to the House Committee on Standards of Official Conduct for Review.

The Veterans Corporation

1800 Diagonal Road, Suite 230
Alexandria, VA 22314

STAFF EXPENSE REPORT

Name: Walter Blackwell
Address: [REDACTED]
City, State, Zip: [REDACTED]

Purpose: expenses
Signature: [Signature]

Date
From: 4/23/07
To: _____

Date	Activity #	Description	Hotel	Airfare	TAXI/Train	Auto/Miles	Meals	Phone	Other	CASH	Company CR.CD.
	000	Health									
	000	Commute									
04/24/07		parking and commute Music				13.58			20.00	33.58	✓
04/24/07		Business Dinner Music					325.91			325.91	
04/24/07		Business Lunch Trevor/Walt					14.52			14.52	✓
04/23/07		Board meeting	62.87							62.87	✓
4/23-4/23/07		Support Board meeting				32.98				32.98	✓
04/19/07		Conference support				60.62				60.62	✓
1/16-1/17/07		Atlanta Business Matchmaking		543.80							543.80
							68.19			68.19	
			18.62		15.00		16.00	3.62		34.62	18.62
							3.99	45.00		3.99	45.00
03/29/07		Capital Airmen Awards			22.00					22.00	
03/28/07		Rayburn Small Business			13.00					13.00	
2/24-3/26/07		AFI Dallas	763.94	comp AA	52.75		3.06			3.06	816.69
					52.75						52.75
03/27/07		Business lunch Charles					99.00				99.00
03/01/07		Essay Contest			12.00					12.00	
2/27-3/26		cell/blackberry						173.61		173.61	
03/22/07		business line						48.06		48.06	
03/26/07		Internet						60.95		60.95	
			845.43	543.80	167.50	107.18	530.67	331.24	20.00		
										Sub Total	512.99 2,032.83
										Less Advances	
										TOTAL	512.99 2,032.83

Approved By: [Signature]

May 10 07 09:57a George Butvilas 906-482-2181 p.2

The Veterans Corporation

1800 Diagonal Road, Suite 230
Alexandria, VA 22314

STAFF EXPENSE REPORT

Name: Walter Blackwell
Address: [REDACTED]
City.State.Zip: [REDACTED]

Purpose: expenses
Signature: [Signature]

Date
From: 4/23/07
To:

Date	Activity #	Description	Hotel	Airfare	TAXI/Train	Auto/Miles	Meals	Phone	Other	CASH	Company CR.CD.
	000	Health									
	000	Commute									
04/24/07		parking and commute Music				13.58			20.00	33.58	✓
04/24/07		Business Dinner Music					325.91				325.91
04/24/07		Business Lunch Trevor/Walt					14.52			14.52	✓
04/23/07		Board meeting	62.87								62.87
4/23-4/23/07		Support Board meeting				32.98				32.98	✓
04/19/07		Conference support				60.62				60.62	✓
1/16-1/17/07		Atlanta Busniess Matchmaking		543.80							543.80
							68.19				68.19
			18.62		15.00		16.00	3.62		34.62	18.62
							3.99	45.00		3.99	45.00
03/29/07		Capital Airmen Awards			22.00					22.00	
03/28/07		Rayburn Small Business			13.00					13.00	
3/24-3/26/07		AFI Dallas	763.94	comp AA	52.75		3.06			3.06	816.69
					52.75						52.75
03/27/07		Business lunch Charles					99.00				99.00
03/01/07		Essay Contest			12.00					12.00	
2/27-3/26		cell/blackberry						173.61		173.61	
03/22/07		business line						48.06		48.06	
03/26/07		Internet						60.95		60.95	
			845.43	543.80	167.50	107.18	530.67	331.24	20.00		
										Sub Total	512.99 2,032.83
										Less Advances	
										TOTAL	512.99 2,032.83

Approved By: [Signature]

Exhibit 2

Platinum Visa Business Card Company Statement

Credit Limit
Cash Limit
Cash Advance Balance
Available Credit

Billing Date
Days in Billing Cycle
Payment Due Date
Minimum Payment Due

New Balance **\$10,311.83**

THE VETERANS CORPORATION
1625 K ST NW

Company Account Number:
[REDACTED]

Page 2 of 2

CARDHOLDER NEW ACTIVITY SUMMARY

Credits	Purchases and Other Debits	Cash Advances	Total Activity
WALTER G BLACKWELL [REDACTED]	\$0.00	\$3,488.10	\$0.00
			\$3,488.10

COMPANY DETAIL

Posting Date	Sale Date	Category	Reference Number	Transactions	Amount
03-30	03-30			LATE PAYMENT FEE	49.00
04-05	04-05			PURCHASE *FINANCE CHARGE*	91.28

CARDHOLDER ACTIVITY

JOHN MADIGAN
[REDACTED]

TOTAL ACTIVITY \$5,262.11

Posting Date	Sale Date	Category	Reference Number	Transactions	Amount
03-12	03-08		24418007068068051984802	CENTRAL PARKING 0070 BALTIMORE MD	12.00
03-12	03-08		24071057068158127932720	MR. WASH CAR WASH #3 WASHINGTON DC	14.50
03-12	03-08		24108387068200938300693	DC PARKING METERS 2026712020 DC	1.00
03-19	03-16		24692167076000912880381	FTMYR OOM F & D DINING FORT MYER VA	36.50
03-21	03-19		24445007080770380811371	SPRINT-STORE #4199 WASHINGTON DC	105.74
03-22	03-20		24610437080004083317629	RENAISSANCE HOTELS F/B WASHINGTON DC ARR:03-20-07	125.16
03-26	03-22		24323017082118667012681	MCCORMICK & SCHMICK#38 WASHINGTON DC	130.99
03-26	03-23		24164077082018507937103	ENTERPRISE RENT-A-CAR ALEXANDRIA VA	100.32

WALTER G BLACKWELL
[REDACTED]

TOTAL ACTIVITY \$3,488.10

Posting Date	Sale Date	Category	Reference Number	Transactions	Amount
03-12	03-08		24661007068120684010044	TOWER TYSON'S ACCOUNTI 111-111-1111 VA	928.08
03-12	03-10		24661007070120687010021	TOWER TYSON'S ACCOUNTI 111-111-1111 VA	716.08
03-14	03-13		24493987073982934005664	CINGULAR W133 6607 8882843014 DC	26.43
03-19	03-17		24071057077158105703324	AMICI MIEI RISTORANTE ROCKVILLE MD	137.56
03-20	03-19		24194047078548136917780	XIMINC 972-941-8019 SC	15.95
03-20	03-19		24493987079982934574705	CINGULAR W133 6607 8882843014 DC	317.24
03-27	03-23		24792627085683000189467	UNITED AIR 0160044095319RED CARPET IL NM:BLACKWELL/WALTER G TKT:0160044095319 MVAT: CVAT: CC: OARP:XAA SVC:Y DARP:XAA MISCELLANEOUS CHARGE FR: DEP:032307	400.00
03-28	03-27		24323017086125985010400	MANSION HOTEL DALLAS TX	30.47
03-28	03-27		24323017086125985010418	MANSION HOTEL DALLAS TX	763.94
03-29	03-27		24301377087118000101075	ARR:03-24-07	52.75
03-29	03-27		24717057087310870620773	LOVE TRANSPORTATION 817-6585543 TX THE HAY ADAMS FB WASHINGTON DC	99.60



Veteranscorp.org

1625 K St NW, Suite 750
Washington, DC 20006

STAFF EXPENSE REPORT

Name: John Madigan
Address: [REDACTED]
City.State.Zip: [REDACTED]

Purpose: TVC busness activities
Signature: [Handwritten Signature]

Date
From: 11/05/06
To: 11/16/06

Date	Activity #	Description	Hotel	Airfare	TAXI/Train	Auto/Miles	Meals	Phone	Other	CASH	Company CR.CD.
	000	Health							-	-	
	000	Commute							-	-	
11/05/06	820	NC Summitplanning				109.09			-	-	109.09
11/09/06	820	lunch JM					10.28		-	-	10.28
11/09/06	820	taxi			40.00				-	40.00	-
11/09/06	820	dinner					304.54		-	-	304.54
11/09/06	820	hotel	327.92						-	-	327.92
11/09/06	820	tips bags							5.00	5.00	
		room							5.00	5.00	
		TVC mtg. materials							20.00	20.00	
		bags							5.00	5.00	
11/10/06	820	taxi			40.00					40.00	
11/10/06	820	lunch JM					14.15			-	14.15
11/10/06	820	mileage				21.02 x .445				9.35	
11/11/06	820	parking airport							30.00	-	30.00
11/13/06	000	flowers Mary farmer brother							84.75	-	84.75
11/14/06	820	lunch J. Minge								-	
		SC, WB, JM					108.54			-	108.54
11/16/06	000	lunch WB JM					47.33			-	47.33
11/14/06	820	mileage DoD							3.58	3.58	
		planning mtg				8 x .445				-	
			327.92		80.00	109.09	484.84		153.33		
									Sub Total	127.93	1,036.60
										150.00	
									TOTAL	(22.07)	1,036.60

Approved By: [Handwritten Signature]

THE *Fairmont*
MIRAMAR HOTEL
SANTA MONICA

101 WILSHIRE BOULEVARD
SANTA MONICA, CA 90401
T 310 576 7777 F 310 458 7912

Room : 0835
Folio # : 61178
Cashier # : 18
Page # : 1 of 1

Group Name California Disabled Veterans Business /

SMA Global
John Madigan
1625 K Street
Washington, DC 20006
US

Arrival : 11-09-06
Departure : 11-10-06

Date	Description	Additional Information	Charges	Credits
11-09-06	Room Charge		279.00	
11-09-06	Room Tax & Assessment		39.34	
11-10-06	Koi Pond Lounge	#0835 : CHECK #2897	4.00	
11-10-06	Telephone Local	08:30 #7835 : 800-648-6640 [00:01:00]	1.25	
11-10-06	Refreshment Center-Manual		4.33	
11-10-06	Visa	XXXXXXXXXXXXXXXX1488 XX/XX		327.92
Total			327.92	327.92
Balance Due			0.00	

Handwritten notes:

- BARS \$5
- Here TIPS - KUDAN \$5
- TVC MATEMILY \$20.00
- BARS \$5

Guest signature X
For information or reservations, visit us at
www.fairmont.com or call Fairmont Hotels & Resorts from:
United States or Canada 1 800-441-1414

I agree that my liability for this bill is not waived and I agree to be held personally liable in the event that the indicated person, company, travel agent or association fails to pay for the full amount of the charges. Overdue balance subject to a surcharge at the rate of 1.5% per month (19.56% per annum). All accounts deemed delinquent may be subject to legal fees and all other costs associated with the bill. Account is payable on presentation or departure.
I have requested delivery of The New York Times. If refused, a credit will be applied to my account of \$25 (Mon-Sat) and \$1.25 (Sun)



Order Confirmation

Thank you for choosing Caruso Florist for your floral gift giving needs. We'll handle your order with very special care.

If you have any questions, call us at 800-628-3491 or email us at info@carusoflorist.net

[PRINT THIS CONFIRMATION PAGE](#)

[Return to Shopping](#)

Below are the details of your order.

Order Confirmation #: 25998

First Item Ordered:

TF135-3:	Aglaonema - As Shown
Price:	\$69.95
Delivery:	\$12.95
Tax:	\$4.77

Total Order for Item # 1: \$87.67

(All amounts are in US Dollars.)

Authorization Code: XXXXXXXXXX

Deliver Order to:

Mr Walter Blackwell
 The Veterans Corporation, 1625 K Street, NW, SUite 750
 Washington, DC 20006
 United States

Delivery Date: 10/16/2007

Gift Message Reads:

Thank you for all your hard work and leadership. Your continued support of us is appreciated!!
 The Staff

Substitution Approval:

As indicated on your order form, you agree that if your selection is unavailable, a substitution of comparable quality and value will be delivered.

Second Item Ordered:

TF136-5:	Ficus Bush - As Shown
Price:	\$39.95
Delivery:	\$12.95
Tax:	\$3.04

Total Order for Item # 2: \$55.94

(All amounts are in US Dollars.)

Authorization Code: [REDACTED]

Deliver Order to:

Mr John Madigan
The Veterans Corporation, 1625 K Street, NW Suite 750
Washington, DC 20006
United States

Delivery Date: 10/16/2007

Gift Message Reads:

Thank you for all you do. We appreciate your support.
The Staff

Substitution Approval:

As indicated on your order form, you agree that if your selection is unavailable, a substitution of comparable quality and value will be delivered.

=====
Billing Information:

Donna Brown
The Veterans Corporation, 1625 K Street, NW Suite 750
Washington, DC 20006
United States

Payment Type: Visa

Credit Card Last 4 Digits: [REDACTED]

To ensure a faster checkout when you visit us again, please be sure to login using your e-mail address and the password you created.


Thank you again for choosing Caruso Florist. We look forward to serving you.

Sincerely,

PHILIP CARUSO
Caruso Florist
www.carusoflorist.net

[PRINT THIS CONFIRMATION PAGE >](#)

[Return to Shopping](#)



IN A BOX

800-884-CAKE

Gourmet Cakes | Pookies® | Cookies | Breakfast Treats | Other Specialties | Gift Packages

See The Whole Celebration!

Order Detail Page

The details of your order are shown below. You can reorder the same items by clicking the Re-order button.

Order ID: 1687 Order Date: 7/30/2007

Billing Information

<p>Donna Brown The Veterans Corporation 1625 K St NW Suite 750 Washington, DC 20006 US</p>	<p>Payment Information</p> <p>Credit Card</p>
--	---

Ship To: Butvilas, George

George Butvilas

Product	Qty	Price	Options
ALL_AMERICAN_COOKIES 1 All American Cookies		\$30.00	<input type="button" value="Re-Order"/>

Shopping Cart:
0 Items In Cart
Total: \$0.00

Shipment Total

Total: \$30.00

Checkout

Special Instructions

Shipment Total: \$30.00

Occasion

Thank You

Card Message

Thanks for your hard work on TVC's Board. This cookie gift is a product of one of our success stories -- Celebration in a Box! Walt

Delivery Date

08/02/2007

Ship Method

STANDARD SHIPPING

Ship To: Brenner, Gordon

Gordon Brenner
[Redacted]
[Redacted]
[Redacted]

Product	Qty	Price	Options
ALL_AMERICAN_COOKIES All American Cookies	1	\$30.00	Re-Order

Special Instructions

Shipment Total

Total: \$30.00

Shipment Total: \$30.00

Occasion

Thank You

Card Message

Thanks for your hard work on TVC's Board. This cookie gift is a product of one of our success stories -- Celebration in a Box! Walt

Delivery Date

08/02/2007

Ship Method

STANDARD SHIPPING

Ship To: Christensen, John

John Christensen

[Redacted Address]

Product	Qty	Price	Options
ALL_AMERICAN_COOKIES	1	\$30.00	<input type="button" value="Re-Order"/>
All American Cookies			

Shipment Total

Total: \$30.00

Shipment Total: \$30.00

Special Instructions

Occasion

Thank You

Card Message

Thanks for your hard work on TVC's Board. This cookie gift is a product of one of our success stories -- Celebration in a Box! Walt

Delivery Date

08/02/2007

Ship Method

STANDARD SHIPPING

Ship To: Gault, Jeff

Jeff Gault
[REDACTED]

Product	Qty	Price	Options
ALL_AMERICAN_COOKIES	1	\$30.00	<input type="button" value="Re-Order"/>
All			

US
703-451-0221

American
Cookies

Shipment Total

Total: \$30.00

Shipment Total: \$30.00

Special Instructions

Occasion

Thank You

Card Message

Thanks for your hard work on TVC's Board. This cookie gift is a product of one of our success stories -- Celebration in a Box! Wait

Delivery Date

08/02/2007

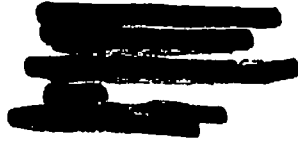
Ship Method

STANDARD SHIPPING

Ship To: Jardine, Ray

Ray Jardine

Product	Qty	Price	Options
	1	\$30.00	



ALL_AMERICAN_COOKIES
All
American
Cookies

Re-Order

Shipment Total

Total: \$30.00

Shipment Total: \$30.00

**Special
Instructions**

Occasion

Thank You

Card Message

Thanks for your hard
work on TVC's
Board. This cookie
gift is a product of
one of our success
stories -- Celebration
in a Box! Wait

Delivery Date

08/02/2007

Ship Method

STANDARD
SHIPPING

Ship To: Metters, Sam

Sam Metters
[Redacted Address]

Product	Qty	Price	Options
ALL_AMERICAN_COOKIES	1	\$30.00	<input type="button" value="Re-Order"/>
All American Cookies			

Shipment Total

Total: \$30.00

Shipment Total: \$30.00

Special Instructions

Occasion

Thank You

Card Message

Thanks for your hard work on TVC's Board. This cookie gift is a product of one of our success stories -- Celebration in a Box! Walt

Delivery Date

08/02/2007

Ship Method

STANDARD SHIPPING

Ship To: Ochsner, Richard

Richard Ochsner



Product	Qty	Price	Options
ALL_AMERICAN_COOKIES 1 All American Cookies		\$30.00	<input type="button" value="Re-Order"/>

Shipment Total

Total: \$30.00

Shipment Total: \$30.00

Special Instructions

Occasion

Thank You

Card Message

Thanks for your hard work on TVC's Board. This cookie gift is a product of one of our success stories -- Celebration in a Box! Walt

Delivery Date

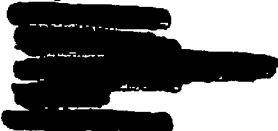
08/02/2007

Ship Method

STANDARD SHIPPING

Ship To: Rothman, Greg

Greg Rothman



Product	Qty	Price	Options
ALL_AMERICAN_COOKIES	1	\$30.00	<input type="button" value="Re-Order"/>
All American Cookies			

Shipment Total

Total: \$30.00

Shipment Total: \$30.00

Special Instructions

Occasion

Thank You

Card Message

Thanks for your hard work on TVC's Board. This cookie gift is a product of one of our success stories -- Celebration in a Box! Walt

Delivery Date

08/02/2007

Ship Method

STANDARD SHIPPING

Ship To: Blackwell, Walt

Walt Blackwell
[Redacted Address]

Product	Qty	Price	Options
ALL_AMERICAN_COOKIES 1 All American Cookies		\$30.00	<input type="button" value="Re-Order"/>

Shipment Total

Total: \$30.00

Shipment Total: \$30.00

Special Instructions

Occasion

Thank You

Card Message

Thanks for your hard work on TVC's Board. This cookie gift is a product of one of our success stories -- Celebration in a Box! Walt

Delivery Date

08/02/2007

Ship Method

STANDARD SHIPPING

Order Total

Shipments Total: \$270.00

Grand Total: \$270.00

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[privacy policy](#)

The Veterans Corporation

1800 Diagonal Road, Suite 230
Alexandria, VA 22314

STAFF EXPENSE REPORT

Name: John Madigan
Address: [REDACTED]
City.State.Zip: [REDACTED]

Purpose: TVC Programs and Activities
Signature: [Signature]

Date
From: 06/23/05
To: 06/30/05

Date	Activity #	Description	Hotel	Airfare	TAXI/Train	Auto/Miles	Meals	Phone	Other	CASH	Company CR.CD.
	000	Health								-	
	000	Commute								-	
	000									-	
06/23/05	800	Mileage Hill letters				17 x .405			6.88	6.88	
06/29/05	100	Union Station				17 x.405			6.88	6.88	
06/30/05	100	Drinks Joel Novak, Blackwell, Madigan							26.68	-	26.68
06/29/05	100	Coffee							1.65	1.65	
06/29/05	100	Dinner Blackwell, Madigan					49.62			-	49.62
06/29/05	100	Taxi							8.00	8.00	
06/29/05	100	Taxi							10.00	10.00	
06/29/05	100	Hotel	240.45							-	240.45
06/30/05	100	Hotel Room tip							2.00	2.00	
06/30/05	100	Coffee							1.79	1.79	
06/30/05	100	Breakfast Walsh, O'Donnell, Blackwell, Madigan					72.61			-	72.61
06/30/05	100	Lunch Hesselbein, Blackwell, Madigan					233.46			-	233.46
06/30/05	100	Taxi							6.00	6.00	
06/30/05	100	Snack							0.80	0.80	
										-	
										-	
										-	
										-	
										-	
			240.45	-	-	-	355.69	-			
									Sub Total	44.00	622.82
									Less Advances		
									TOTAL	44.00	622.82

Approved By: [Signature]

Exhibit 4

The Veterans Corporation

1800 Diagonal Road, Suite 230
Alexandria, VA 22314

STAFF EXPENSE REPORT

Name: Walter Blackwell
Address: [REDACTED]
City, State, Zip: [REDACTED]

Purpose: Monthly & Travel
Signature: [Signature]

Date: 12/27/06
From: [REDACTED]
To: 04/06/06

Date	Activity #	Description	Hotel	Airfare	TAXI/Train	Auto/Miles	Meals	Phone	Other	CASH	Company CR.CD.
03/06/06	000	Health							300.00	300.00	
03/06/06	000	Commute							100.00	100.00	
04/06/06	000	Health							300.00	300.00	
04/06/06	000	Commute							100.00	100.00	
03/27/06		San Antonio	189.29			118.74					
			229.65								308.05
		seat change		34.00							229.65
02/22/06		DC Meeting				6.68			17.00	23.68	34.00
02/15/06		Business Lunch Recruit Military					84.00			84.00	
03/27/06		San Antonio Lunch/self					8.64			8.64	
03/28/06		Chicago Snack					6.30			6.30	
03/28/06		San Antonio late Dinner					16.00			16.00	
03/28/06		Chicago Snack					5.11			5.11	
03/31/06		SCORE meeting				7.00			15.00	22.00	
04/01/06		New York Education Meeting			215.00		10.44			10.44	215.00
					20.00					20.00	
		Union Station Parking							18.00	-	18.00
03/16/06		Tower Club Parking Dave Ramos							5.00	5.00	
12-27-1-26		Cell/Blackberry						177.49		177.49	
1-27-2-26		Cell/Blackberry						175.74		175.74	
02/22/06		Business line						47.28		47.28	
3-12-4-11		High Speed connection						60.95		60.95	
			418.94	34.00	235.00	132.42	130.49	461.46	455.00		
										Sub Total	1,462.63 804.70
										Less Advances	
										TOTAL	1,462.63 804.70

Approved By: [Signature]



Veteranscorp.org

STAFF EXPENSE REPORT

Name: John Madigan
Address:
City.State.Zip:

Purpose: TVC programs and activities

Signature: [Handwritten Signature]

Date
From: 01/17/07
To: 01/22/07

Table with columns: Date, Activity #, Description, Hotel, Airfare, TAXI/Train, Meals, Auto/Miles, Phone, Other, CASH, Company CR.CD. Includes rows for various expenses like health, commute, lunch, coffee, and hotel bills, ending with a total summary row.

[Handwritten Signature]

