

II. PARTIES

2. AMVETS Department of Ohio is a 501(c)(19) tax-exempt veterans organization headquartered in Franklin County, Ohio. AMVETS Department of Ohio was incorporated with the Ohio Secretary of State in 1946. AMVETS Department of Ohio exists for the benefit of Ohio's veterans and participates in various veterans causes ranging from education and outreach to support for veterans hospitals, memorials, homeless veterans and active service members;
3. AMVETS Career Center is a 501(c)(3) tax-exempt public charity headquartered in Franklin County, Ohio. AMVETS Career Center was incorporated with the Ohio Secretary of State in 2002. AMVETS Career Center was created by AMVETS Department of Ohio as a charitable trust for the benefit of veterans in need of career training and employment assistance. AMVETS Career Center is a separate legal entity from AMVETS Department of Ohio with its own board of trustees;
4. AMVETS Service Foundation is a 501(c)(19) veterans organization headquartered in Franklin County, Ohio. AMVETS Service Foundation was incorporated with the Secretary of State in 1957. AMVETS Service Foundation was created by AMVETS Department of Ohio for the purpose of soliciting donations from the general public for the benefit of veterans programs including support for veteran's hospitals, scholarships, ROTC and other programs. AMVETS Service Foundation is a separate legal entity from AMVETS Department of Ohio with its own board of trustees;
5. The Ohio Attorney General, in his role as *parens patriae* protects charitable trusts and their beneficiaries who should have benefited from charitable trust assets, including assets raised or held on behalf of veterans in need of career training or employment assistance. The Ohio Attorney General investigated the activities of AMVETS Department of Ohio, AMVETS Career Center and AMVETS Service Foundation. The Ohio Attorney General's Office obtained and

analyzed organizational and financial records and conducted interviews of witnesses. Based on the information obtained during that investigation, the Attorney General presents the allegations in this Assurance of Discontinuance based on good faith belief and the information available.

III. INTRODUCTION

6. Veterans leaving the military and returning to civilian life over the last ten years have faced numerous struggles, not the least of which is trying to find employment. Veterans were hit especially hard by the economic downturn. Citing U.S. Department of Labor statistics, a 2012 Report by the U.S. Congress Joint Economic Committee states that Ohio's unemployment rate at the end of 2011 was 7.9%. Unemployment among Ohio's veterans exceeded that of the general population at 10.7%. Even more alarming, the unemployment rate among young Ohio veterans (those serving in the post 9/11 era) was 19.4%. Unemployment among Ohio's young veterans far exceeded the national average of 12.1%. Veterans have invaluable skills, commitment and character traits forged and developed by military service. However, many veterans do not have a college degree, have never made a resume, or have never had a job interview. Many veterans need assistance in transitioning to civilian employment.
7. AMVETS Career Center was uniquely situated to confront unemployment among veterans. The Career Center received millions of dollars for the purpose of providing career training and employment assistance to Ohio's unemployed veterans. Unfortunately, most of AMVETS Career Center's assets were not utilized to provide career training. Career Center assets were forwarded to fifty-nine AMVETS posts, most of which merely feigned to operate satellite career centers. Charitable assets were diverted for general post expenses rather than to provide unemployed veterans with career training and assistance.
8. The Attorney General's Office conducted an investigation of AMVETS Career Center that eventually expanded to AMVETS Department of Ohio and AMVETS Service Foundation. The

Attorney General's investigators visited all AMVETS posts purporting to operate satellite career centers. Investigators interviewed AMVETS leaders, requested numerous documents and reviewed financial activities between January 1, 2006 through May 31, 2012. While over \$10,000,000 was sent to AMVETS posts to provide career training to unemployed veterans, most posts operated little more than facades providing little to no services. Additional AMVETS Career Center assets, along with AMVETS Service Foundation assets designated for specific veterans' programs, were diverted to AMVETS Department of Ohio.

9. AMVETS leaders have taken proactive steps to address the facts identified in this Assurance. The Attorney General's Office has developed an excellent working relationship with the AMVETS organizations in addressing these issues and all parties have worked together to fashion a meaningful resolution. AMVETS leaders have already implemented many of the actions described in this Assurance.
10. The Attorney General is aware that the vast majority of charitable proceeds received by posts and by AMVETS Department of Ohio during the review period have been spent and any requirement disgorging these spent amounts would only result in insolvency without any benefit to AMVETS organizations or the veterans they serve. The Attorney General has joined with the AMVETS organizations in efforts to reform the practices described below to ensure that veterans get the services they deserve.

IV. FACTS ALLEGED BY THE ATTORNEY GENERAL

A. The "Career Center Concept"

11. Prior to 2003, veteran's posts, including many AMVETS posts, conducted unlicensed instant bingo at their members-only canteens. Prior to 2003, AMVETS posts conducting instant bingo retained 100% of the instant bingo proceeds. Instant bingo was not licensed or regulated by the state of Ohio.

12. In 2003 and 2004, in the wake of a highly publicized criminal enforcement action with respect to a multi-million dollar charitable fraud in Hamilton County, the General Assembly passed an overhaul of Ohio's Gambling Law. The Ohio General Assembly legalized instant bingo and permitted licensed veterans posts to conduct instant bingo at their canteens. New charitable instant bingo licensing restrictions required licensed veterans organizations to donate a portion of their instant bingo net profit to 501(c)(3) public charities (AMVETS posts are 501(c)(19) tax exempt organizations and are not recognized as "public charities.").
13. Under the newly enacted Ohio law, licensed veterans posts were permitted to keep 75% of the net profit from instant bingo (after some specific expenses). Veterans posts were not restricted in their use of their 75% and could use those proceeds to pay utilities, rent or otherwise subsidize their posts. The remaining 25% was required to be paid to a 501(c)(3) public charity with which the post had a fundraising contract. This remaining 25% charitable amount must be used exclusively for charitable purposes.
14. In 2003, AMVETS Department of Ohio Executive Director George Ondick met with the board of AMVETS Career Center (an existing charity) and discussed using the Career Center as a way to enable AMVETS posts to effectively keep the 25% portion from instant bingo mandated by law to go to a public charity. In a 2003 board meeting, George Ondick outlined a plan to use the Career Center to get the charitable proceeds back to the AMVETS posts:

"This is going through the legislative process right now and it is going to be a tough thing. The career center has absolutely no money right now. It's being funded through the AMVETS to keep it going. And once we get on board and once the second roles around and we start getting the dollars coming in then we'll be able to make this thing work and we'll be able to get the satellites in your posts and get the dollars back to your posts. And to answer some of the questions that posts that are

out there saying that this is something we're doing just to get money back to Department headquarters, this is something we're doing to get money back to the posts. I didn't need this kind of headache. But what I did need is a legal way to get money back into a post. And the only legal way that I could possibly come up with is by putting a career center back into the post and have the post charge us back for us taking up their space and for us taking up their personnel and everything else. That's the only legal way that I can see us doing this. And that's getting money back to the post. And I will tell you this much. I did know, I saw the handwriting on the wall. Cause I was back and forth to the House and Senate on many occasions. They were going to pass a bingo bill. Because they wanted to get rid of the store front bingos especially. They wanted to get rid of the guys that had the million dollar plus, two or three million dollars in their freezers. They were going to do this. And we had to do something cause we were going to get sucked up with that. And if I wanted money coming back to the Department instead of trying to take care of the post, I'd just have the 501(c)(3) and say give me your fifty percent¹."

15. After the changes to the bingo law in 2003-2004, AMVETS Career Center focused its charitable purpose to assist veterans by funding AMVETS posts to operate satellite career centers throughout Ohio. AMVETS posts conducting instant bingo were required to distribute 25% of the instant bingo net profit to a 501(c)(3) public charity. Approximately fifty-nine AMVETS posts signed fundraising contracts with AMVETS Career Center and were required to distribute the 25% charitable portion from instant bingo to AMVETS Career Center. AMVETS Career Center then signed a second contract with each AMVETS post for the creation of a "satellite"

¹ The original instant bingo bill required a charitable distribution of 50%. This requirement was changed soon after to only require that 25% be distributed to a public charity.

career center in the post. AMVETS Career Center received the 25% charitable distribution from the posts, retained approximately 15% of the distribution amount for “administrative costs” and then forwarded the bulk of the charitable proceeds (approximately 85%) back to the AMVETS posts to operate the satellite career centers. In this way, AMVETS Career Center was able to “get the money back to the posts.”

16. AMVETS Career Center represented to the public that it benefitted veterans in need of employment assistance and career training. AMVETS Career Center was dedicated to providing career training to active duty service members and out-of-work veterans. The career center concept, as conceived and described by Executive Director George Ondick, included satellite career centers at AMVETS posts around the state of Ohio. Veterans could conceivably visit any participating AMVETS post and utilize a computer at the post to take online courses, including, for example, training in the use of word processing software or preparation for a high-school equivalency exam. Although many courses were not taken at the posts, during the review period, posts registered approximately 2,165 individuals for online courses.
17. AMVETS Career Center utilized an initial grant from the state of Ohio to purchase equipment for a Columbus location. AMVETS Career Center later purchased additional computer equipment and then placed the equipment in AMVETS posts throughout the state. Each post agreed to operate a satellite career center and provide space for a computer lab. Computers were then available to veterans to take online courses with the primary focus on career training.
18. After providing 25% of their instant bingo profit to AMVETS Career Center, each post received approximately 85% of the 25% in charitable proceeds back from AMVETS Career Center. Posts received payments from AMVETS Career Center based solely on the amount each post donated to AMVETS Career Center without any relation to the charitable programming

occurring (or not occurring) at the post's satellite career center. AMVETS post members as well as AMVETS Career Center officials characterized these payments to the posts as "kickbacks."

19. During the six year review period, AMVETS posts with satellite career centers earned approximately \$50,288,695 in net profit from the sale of instant bingo tickets. The posts were permitted to keep approximately \$37,716,521, representing 75% of the net profit. Posts were legally permitted to use this amount for any post purpose. AMVETS posts distributed approximately \$12,572,174 to AMVETS Career Center representing the 25% charitable portion required to be distributed under Ohio law. However, AMVETS Career Center sent back approximately \$10,686,348 in charitable proceeds to those same posts.
20. In most cases, AMVETS posts had only negligible expenses associated with a satellite career center, such as minor utilities costs and internet or phone line costs. A few posts also had a free-standing career center building. AMVETS Career Center (not the local posts) paid for computers, printers and other equipment. Additionally, AMVETS Career Center paid the cost of online courses from the amounts it retained for "administrative costs." Posts were not required to pay for courses or equipment with any of the charitable proceeds returned to the post.
21. Executive Director George Ondick wrote and executed the satellite career center contracts on behalf of AMVETS Career Center. The contracts were structured to allow the posts to reimburse themselves for "rent" with respect to the areas utilized for career center activities. Additionally, posts could use charitable funds to pay a member of the post as a "career center coach." In many cases, "coaches" performed few functions apart from registering veterans for the online courses. However, regardless of how expenses were characterized, AMVETS posts were permitted to keep all charitable proceeds and the Attorney General could discover no cases in which posts returned charitable funds to AMVETS Career Center.

B. "Failing" Career Centers

22. Because of rising concerns over lack of reporting and accountability in the satellite career centers, in 2007 AMVETS Career Center's Board of Trustees adopted a resolution requiring activity reporting. AMVETS Career Center required contracted posts to report the number of veterans served, report career center expenses, and established bench marks for grades "A," "B," "C," "D," and "F" depending on a post's compliance with the standards. The standards established by the Board were minimal and did not require significant activity for a post to receive an "A" grade. For instance, if a post registered two veterans a month in the satellite center and provided reports, then the post received an "A" grade. If posts failed to report consistent with the minimum standards, then the resolution required AMVETS Career Center to "penalize" the posts by withholding funding and ultimately severing ties.
23. Although the AMVETS Career Center Resolution stated that a "Great Majority of the Career Centers have been reporting regularly and have been reporting good activity[,]" Len Proper, the AMVETS Career Center Director, advised the board at the very same meeting that forty-four of the fifty-nine career centers were failing under the adopted standards.
24. Although the board of AMVETS Career Center adopted policies requiring reporting and accountability, the majority of AMVETS posts continued to refuse to report and failed to sign up veterans for services. From the time the posts were originally graded in 2007 through 2012 approximately 70% of AMVETS posts consistently received a grade of either a "D" or "F" under the Resolution's guidelines. However, AMVETS Career Center's Board ignored its obligations under its own policy to withhold funding. AMVETS posts with consistently poor grades, including posts that refused to report any activities or provide any services at their career centers, continued to receive their full "kickback."

25. Over the next several years, the AMVETS Career Center Board received numerous warnings from staff regarding the poor performance of the career centers. Most posts consistently received “D” or “F” grades. AMVETS Career Center’s staff was refused financial reports from many posts. Moreover, some posts refused to permit AMVETS Career Center personnel to access satellite career centers. AMVETS Career Center’s staff submitted conference reports to the board detailing these failures and warning the Board against inaction. These warnings became more pronounced as time went on. The Board invariably adopted staff reports but took no action.
26. As an example, the Conference Report to the Board for June – September 2009 reported: “Frankly, the AMVETS Career Center Board of Trustees should be embarrassed by the poor performance of so many career centers. The continued poor performance of so many career centers threatens the existence of the career center program and invites even closer scrutiny from governmental agencies. It is imperative that the AMVETS Career Center Board of Trustees begin exhibiting the leadership necessary to bring nonperforming career centers into compliance with their contracts, with AMVETS regulations and with state and federal laws.”
27. The AMVETS Career Center Convention Report to the Board for 2009 – 2010 cautioned: “The bottom line: 74 percent of our career centers failed to meet the minimum standards established by the Board. Nearly half (30 out of 61) failed to register a single vet.” . . . “At our October meeting, and again at our February meeting, I commented that the AMVETS Career Center Board of Trustees should be embarrassed by the poor performance of so many career centers. Nothing has changed to make me feel differently. In fact, I don’t understand how you, the board members, can look at this report card and not hang your heads in shame. Every four months I come into this meeting and report on what actions are needed from the board of trustees to strengthen and improve AMVETS Career Center. Every four months, this board

votes to act, to do something. And every four months, we are right back where we started, because you, the AMVETS Career Center Board of Trustees, not only have failed to act – you have refused to act.”

28. The AMVETS Career Center Conference Report to the Board for June 2010 to May 2011 warned: “Our catalogs, flyers and websites are “out there” for the entire world to see. And what they see are our 60 Ohio career centers. If a veteran calls one of those centers, there is a 65% probability that he will get turned away or receive less than satisfactory help. All it takes is one phone call or letter to the editor to bring it all tumbling down. More than the embarrassment we will face would be the disruption in services to our veterans.” . . . “Over the past seven years, I have begged you and cajoled you to do something about the 2/3 of our career centers that have failing grades. As our visibility increases, the more you should be concerned about those centers. For seven years, I’ve asked you, the board, to cover my flanks and my six so that I can focus on moving the career centers forward. For the life of me, I don’t understand why you refuse to take action against posts and career centers that are violating their contracts with our nonprofit, and in many cases, breaking the law. With AMVETS Career Center, we have something that no other veterans organization has. However, your inaction continues to place us in a precarious position. I can’t state it any simpler – you need to act.”

C. Career Center Facades - 85% of the Charitable Proceeds

29. The Attorney General’s Office investigated AMVETS Career Center in 2011 - 2012 after concerns were renewed that the policies adopted by the board did not ensure oversight and accountability. Investigators and bingo site inspectors visited all Ohio AMVETS posts with career centers, photographed each satellite career center and questioned post officials.
30. Investigators discovered that most satellite career centers were facades, designed to give only an appearance of a career center. Most posts had an outdated or nonfunctional computer placed in

a corner or a cabinet. Some computers had not been turned on in years or were disconnected. Other computers were either nonfunctional or were missing necessary components. Some "career centers" were covered in trash, dust and debris or were contained within storage areas surrounded by cleaning supplies or other equipment. Many posts encouraged veterans to go to the local library or take the courses at home since the online courses could be taken from any computer connected to the internet, as the workstations at the post were either nonfunctional, in disarray, or contained in an area within the post not conducive to quiet studying.

31. Some investigators who visited posts covertly as veterans in need of career training or assistance were turned away by post officials and were told either that their computer was nonfunctional or that the post didn't even have a career center. Nevertheless, these posts continued to receive funding from AMVETS Career Center to operate a satellite career center.
32. A former President of AMVETS Career Center, Terry Stone stated: "So we've got a career center opening up somewhere in our area that there was no way they were planning on doing the right thing. They just wanted a career center so that they could get some of that money sent back to them. . . when it was first talked about at headquarters, I mean I've been to every conference and convention and that's what it was likened to by a lot of people, well it's just money laundering. You know, you get this money back and as long as you do this or you say you did this with it or say you did that with it."
33. Butch Hardy, another former President of AMVETS Career Center stated that he knew that the posts were not using AMVETS Career Center assets for charitable purposes. He stated "They are utilizing it for their own self greed. That's the way the contracts were signed back in whenever they started the career centers. Those were George's [Ondick] famous words: you use the money for whatever you want to do."

34. Only a handful of posts appeared to operate legitimate career centers. Those few posts had an active career center coach and a functional computer lab. Some even hosted interactive training events. But even the few posts with active career centers often had inadequate fiscal oversight and received significant amounts in charitable proceeds that were primarily transferred to the post.
35. The Attorney General's Office obtained and reviewed financial and other records of AMVETS Career Center, including records of online career training course usage by veterans registered by each career center. Additionally, the Attorney General's Office requested records from posts purporting to operate satellite career centers.
36. In many cases, AMVETS posts deposited charitable proceeds into their general account and comingled charitable assets with post assets used to make payroll or purchase canteen supplies, including alcohol. Other posts deposited the charitable funds in a separate bank account but even many of those posts wrote checks out of the career center account to pay wages to bartenders or pay other post expenses.
37. Although some variances existed, most AMVETS posts provided only one or two computers to take online courses at little cost and had no other programming. The only cognizable post expenses for career centers included internet costs, in most cases negligible utility costs, and costs of supplies (paper, ink, etc.). Most charitable proceeds were used to subsidize post expenses, including post canteens, with very little money going to legitimate career center expenses. In most cases, veteran attendance at career centers was very low or nonexistent. Over 70% of posts consistently received "D" or "F" grades, indicating little to no career center usage, under AMVETS Career Center's own minimum standards. Moreover, the trustees were aware of the problems but continued to fund failing career centers as well as some posts that did not even operate career centers.

D. Examples of Satellite Career Centers

38. The following descriptions are of actual AMVETS posts that received money to operate career centers in Ohio. The listed examples are representative of all fifty-nine posts:

- A. "Post #A" was one of the few "A" rated posts, with legitimate career center programing. The satellite career center was a separate building on the post's property. Post #A's career center provided online courses and provided other machinery-related courses. Since 2006, 274 veterans accessed online courses through this career center. Post #A had a separate career center account and received \$1,115,548 from AMVETS Career Center between 2006 and May, 2012. The Attorney General's Office conducted a financial analysis of this account, for the time period from 2006 through mid-2011. During this time frame Post #A received \$987,318 in charitable proceeds from AMVETS Career Center. However, Post #A utilized approximately \$885,000 of those charitable proceeds (roughly 90%) for non-career center purposes including to pay "rent" to the Post, to pay payroll for bar employees, to fund repairs and expansion of the Post's parking lot and to pay for instant bingo tickets for the canteen.
- B. "Post #B" received \$499,954 from AMVETS Career Center to operate a satellite career center during the six-year review period. Although Post #B received a "B" grade from AMVETS Career Center, its career center consisted of a single computer in the corner of the post's meeting room. A post official reported that the career center computer had not been turned on in over two years. In over six years, Post #B registered sixty-five veterans for online career training courses. Post #B provided a financial report summary for the period July 1, 2011 through August 1, 2012 indicating that of \$54,011 in charitable proceeds sent back to the post by the charity during that time, Post #B took \$40,435 for "rent," \$9,122 for "utilities," \$1,716 for "wages" and \$2,437 for "other." Post #B reported

expending only \$300 for career center purposes, including \$200 for "training" and \$100 for "support services." Charitable dollars were not placed into a separate account and were comingled with other post funds.

- C. "Post #C" received \$582,176 during the review period from AMVETS Career Center to operate a satellite career center at the post. However, Post #C consistently held a "D" grade since 2007 and could only produce two computers contained within cabinets when asked by investigators to show the "career center." One computer was hidden behind stored items, such as tables and chairs and was covered in what appeared to be trash and debris. All charitable career center proceeds were comingled with other post funds. Since 2006, only twenty-eight veterans completed online career training courses through this career center.
- D. "Post #D" received \$171,009 from AMVETS Career Center for the six-year review period to operate a satellite career center at the post. Post #D consistently received an "F" grade since 2009 from AMVETS Career Center, indicating little to no programming or usage. Post #D's career center consisted of two locked cabinets and a table in the corner of a large meeting hall. A post official reported that the post's satellite career center had not been used by a veteran in two years. Veterans who had signed up to take online courses at the post would take the courses at other locations. Only twenty-one veterans completed online courses since 2009. Post #D had a separate "career center" bank account, but it appeared to act as a payroll account for the post. The individuals receiving payments from the account were not listed as "career center" coaches and did not appear to have an official relationship with the career center. When requested by the Attorney General's Office to supply records of career center and financial activities, Post #D provided no records.

- E. "Post #E" began contracting with AMVETS Career Center in February 2005. Since 2006, Post #E received \$98,718 from AMVETS Career Center to operate a satellite career center. However, Post #E did not operate a career center of any kind and deposited the \$98,718 in charitable proceeds into its general account to use for non-career center expenses. Post #E failed to register a single veteran for career training services during the entire period 2005 through 2012. Post #E consistently received an "F" grade from AMVETS Career Center. When Attorney General's Office investigators visited the post covertly as veterans in need of career training, they were told to visit another AMVETS location.
- F. "Post #F" received \$327,167 during the review period from AMVETS Career Center to operate a satellite career center. This amount was deposited into Post #F's general bank account. The career center consisted of a cubicle adjacent to the post's canteen. When a site inspector visited the location, the cubicle was being used as a storage area for cleaning equipment and raffle tickets. When an Attorney General investigator visited the post a post official reported that the career center's computers were broken. The official also reported that veterans were encouraged to take online courses away from the post because of the career center's location near a loud area. Post #F consistently received an "F" grade from AMVETS Career Center. Online course records show that only twenty-two veterans took online courses since 2006.
- G. "Post #G" provided evidence of registering only eighteen veterans at its satellite career center since its inception in May 2004. The career center at the post consisted of two cubicle-sized workspaces, one containing inoperable computer equipment and the other containing a workspace and computer covered in dust. However, since 2006 Post #G received \$138,180 in charitable career center proceeds and deposited the charitable funds

into the post's general account. Post #G consistently received an "F" grade from AMVETS Career Center, indicating little or no career center activity during each grading period.

H. "Post #H" received \$85,719 from AMVETS Career Center during the six year review period. When a Site Inspector visited the location, they were told the career center was locked and the key was not available. AMVETS Career Center's records show that Post #H operated no career center of any kind since its inception in April 2006. In response to the Attorney General's request for information, Post #H stated: "As of October 6, 2012, the AMVETS Career Center services have been utilized by one individual, [name omitted] . . . We currently do not have a list of services that he utilized. The community that we live in is a small, rural area, constructed of mainly employed and retired individuals. While we do provide the services of the Career Center, the demand for these services is substantially less than in more populated areas." Post #H did not have contact information for the individual and did not have information as to what services he received.

E. Transfers & Comingling with Department Funds – 15% of the Charitable Proceeds

39. After receiving 25% of AMVETS posts' instant bingo net profit, AMVETS Career Center transferred roughly 85% of the charitable proceeds back to AMVETS posts to operate satellite career centers. AMVETS Career Center retained roughly 15% of the charitable proceeds for "administrative costs," approximately \$1,885,826 since 2006. AMVETS Career Center bought computer equipment for the posts, paid for internet-based courses through a company called "Mindleaders," and paid AMVETS Career Center employees. However, the lion's share of the charity's "administrative costs" consisted of transfers to AMVETS Department of Ohio.

40. During the six year review period, AMVETS Career Center transferred approximately \$1,089,562 to AMVETS Department of Ohio. This amount was in excess of, and did not include, amounts paid by AMVETS Career Center for rental space for an office headquarters.

41. AMVETS Career Center paid AMVETS Department of Ohio for shared employees, equipment and office services; however, the amounts varied significantly from year to year. For instance, AMVETS Career Center paid AMVETS Department of Ohio \$120,000 in 2006, \$236,666 in 2007, \$297,125 in 2008, \$98,000 in 2009, \$193,000 in 2010, \$96,400 in 2011 and \$48,371 during part of 2012. The amounts transferred to AMVETS Department of Ohio had more connection with the Department's need for funds than any logical relation to the actual expenses of AMVETS Career Center.
42. Executive Director George Ondick authorized transfers from AMVETS Career Center to AMVETS Department of Ohio based on whether AMVETS Career Center had funds available. AMVETS Career Center board members approved budgets but claimed to only know financial information provided by Ondick at board meetings. Board members claimed not to know why such significant amounts were transferred to AMVETS Department of Ohio or why the amounts varied substantially from year to year.
43. Many payments from AMVETS Career Center to AMVETS Department of Ohio were characterized in check memos as "grants." If AMVETS Career Center had funds and AMVETS Department of Ohio needed funds for operational expenses, George Ondick transferred charitable assets to keep the Department afloat.
44. AMVETS Career Center categorized amounts sent to AMVETS Department of Ohio as "contracted expenses" in its IRS forms 990 (informational tax returns required to be filed by nonprofit organizations). However, the Attorney General's Office could discover no written contracts between AMVETS Career Center and AMVETS Department of Ohio. George Ondick characterized the expenditures as pursuant to "verbal contracts." However, no one could explain the terms of these "verbal contracts."

45. AMVETS Department of Ohio's financial condition worsened throughout the review period, necessitating budget cutbacks. The Finance Committee and State Executive Committee instituted layoffs. Because of the worsening financial condition, Executive Director George Ondick utilized his fiscal control over AMVETS Career Center, as well as AMVETS Service Foundation to subsidize AMVETS Department of Ohio.

F. Lack of Oversight and Fiscal Controls

46. Executive Director George Ondick made the bulk of all financial decisions including approving all expenditures, signing checks, formulating and preparing budgets, making decisions with respect to transfers between related AMVETS organizations and giving instructions to Assistant Director Sam Pierce as to which bills to pay. The Executive Director also approved all leave time, including for most of the review period, his own leave time. Ondick approved all reimbursements, including his own reimbursements. Although technically Ondick reported to the Finance Committee and the State Executive Committee, he decided fiscal policy and made financial decisions while controlling much of the information available to those committees as well as to the boards of AMVETS Career Center and AMVETS Service Foundation.

47. Assistant Director Sam Pierce made journal entries, prepared checks for Ondick's signature and made deposits. Pierce acted at the direction of Ondick. Pierce performed day to day book keeping tasks and filed financial documents.

48. James Schulte, CPA, performed audit review functions. Schulte had remote access to AMVETS Department of Ohio's QuickBooks and was present at some board and committee meetings. Schulte prepared tax filings, including IRS forms 990 (informational tax returns filed by nonprofit organizations) for AMVETS Career Center, AMVETS Department of Ohio, AMVETS Service Foundation and other AMVETS organizations. Schulte not only prepared

and signed IRS tax returns for the three AMVETS organizations, but he also signed as an “officer” of those organizations.

49. During the period in review, three persons served as Finance Officer at different times: Raymond Hess, Cathy Argyle and George Box. The Finance Officer also served as “treasurer” of AMVETS Career Center and AMVETS Service Foundation.
50. All three former finance officers admitted that most checks were signed by the Finance Officer in advance, or “blank.” Hess, Argyle and Box all admitted that they signed “blank” checks and delivered those checks periodically to Sam Pierce. Argyle stated that when she was first invited to become Finance Officer, she was instructed that the position of Finance Officer had been scaled back and the Finance Officer’s only responsibilities were to run the Finance Committee meetings and sign checks for the Department. Argyle stated approximately once per month, Pierce brought her 50 – 100 blank checks to sign. She signed checks without payee information, memos or amounts filled in. At the time she signed the blank checks, Argyle was not informed as to the purpose of the expenditures. Argyle claimed that she was not advised with respect to deposits or transfers between accounts.
51. Although Argyle claimed to occasionally review bank statements and cancelled checks online, Argyle did not question the practice of signing blank checks and she did not question expenditures. According to Argyle, she was only a “figure head” while the Executive Director made all decisions. Argyle claimed she never saw or approved any reimbursement requests.
52. As Finance Officer, George Box admitted to continuing the same practice of signing blank checks for the three AMVETS organizations. Argyle and Box both had access to online account information for AMVETS organizations but reviewed the information infrequently. Box also knew that he was a trustee of AMVETS Career Center but claimed not to have any knowledge

of its operation or how it fulfilled its charitable purpose. Box stated that he was only a board member for fifteen minutes three times a year.

53. Investigators could uncover no written financial policies, conflicts of interest policies or reimbursement policies for AMVETS Department of Ohio, AMVETS Career Center or AMVETS Service Foundation. Moreover, George Ondick stated that AMVETS had no written policies.
54. Reimbursements to individuals during the review period totaled approximately \$694,466. Witnesses state that Ondick approved all reimbursements. Pierce stated that itemized receipts were required to process reimbursements, except that Ondick's expenses were paid without itemized receipts.
55. Investigators discovered few fiscal controls with respect to credit cards. For example, AMVETS Department of Ohio ultimately discovered that Pierce had been using the Department's Home Depot credit card to purchase items for his own remodeling business. Pierce admitted to utilizing the card for approximately \$2,800 in purchases for his personal benefit.
56. AMVETS' lack of fiscal controls and policies also affected grant funding. In 2010 AMVETS Career Center applied-for and began receiving funding through the federal AmeriCorps program, administered by Ohio's Commission on Service and Volunteerism (ServeOhio). AmeriCorps service members were employed by AMVETS Career Center and stationed throughout the state of Ohio to assist veterans in obtaining employment opportunities, including attending career fairs and providing career-related information to veterans seeking employment. ServeOhio terminated grant funding to AMVETS Career Center as of November 2012 after learning of AMVETS' lack of financial policies and controls and of irregularities with respect to information submitted by AMVETS.

G. Service Foundation

57. AMVETS Service Foundation receives nearly all of its funding from public donations. AMVETS Service Foundation contracts for the collection of used clothing and household items at donation locations around the state of Ohio. AMVETS Service Foundation receives a percentage from the sale of clothing and other items to thrift stores.
58. AMVETS Service Foundation solicits household items and used clothes on its website at www.amvetsclothingpickup.org as well as at various donation locations. AMVETS Service Foundation utilizes charitable appeals including "Please Support Our Troops!" and otherwise indicates that proceeds benefit veterans of the U.S. Armed Forces. AMVETS Service Foundation's website states that proceeds fund specific purposes such as scholarships, Special Olympics, social activities and health care kits for hospitalized veterans. The website also indicates that funds benefit AMVETS Career Center.
59. James Schulte, CPA, prepared and attested to tax returns for AMVETS Service Foundation. For the years 2005 through 2011, Schulte attested that AMVETS Service Foundation expended \$3,446,083 in program services directly related to "Support for veterans hospitals, scholarships, community activities, Special Olympics, ROTC programs, support for homeless veterans and memorials." However, of this amount, \$3,143,417 was actually transferred to AMVETS Department of Ohio for payroll and administrative expenses not directly related to specific charitable programs. Only \$302,666 was expended by AMVETS Service Foundation for scholarships and other grants.

V. CONCLUSIONS OF THE ATTORNEY GENERAL

60. AMVETS posts conducted instant bingo pursuant to Chapter 2915 of the Revised Code and were required to donate 25% of the net profit from instant bingo to a 501(c)(3) public charity. The proceeds donated to AMVETS Career Center were subject to a valid charitable trust for the

benefit of veterans seeking career training and assistance. The assets held by AMVETS Career Center, including the charitable proceeds sent back to AMVETS posts, were required to be used exclusively for those specific charitable purposes.

61. AMVETS Career Center, AMVETS Department of Ohio and AMVETS Service Foundation were all charitable trusts within the meaning of Section 109.23 of the Revised Code since they held assets for the benefit of a charitable purpose. Additionally, all three AMVETS organizations participated in or received funds from charitable solicitation activities and are “charitable organizations” within the meaning of Section 1716.01(A) of the Revised Code.
62. AMVETS Career Center’s assets, including amounts sent back to AMVETS posts and amounts comingled with AMVETS Department of Ohio’s assets, were required to be treated consistent with fiduciary principles. Moreover, members of the boards of trustees of the three AMVETS organizations, officers and fiduciaries of AMVETS posts receiving charitable assets and all persons having control or influence over the use and distribution of those charitable assets are “trustees” subject to fiduciary duties and were charged to act in the best interest of the beneficiaries, namely veterans in need of career training and employment assistance.
63. Ohio Revised Code Section 1716.17 states in pertinent part: “Every person who solicits, collects, or expends contributions on behalf of a charitable organization or for a charitable purpose, or who conducts a charitable sales promotion, and every officer, director, trustee, or employee of that person who is concerned with the solicitation, collection, or expenditure of those contributions shall be considered a fiduciary and as acting in a fiduciary capacity.”
64. Ohio Revised Code Section 109.23(A) states: “charitable trust means any fiduciary relationship with respect to property arising under the law of this state or of another jurisdiction as a result of a manifestation of intention to create it, and subjecting the person by whom the property is held

to fiduciary duties to deal with the property within this state for any charitable, religious or educational purpose.”

65. Trustees carry significant fiduciary duties under Ohio law, including the broad duty of care, duty of loyalty, duty to properly manage accounts and the duty to comply with law, as well as more specific duties within these broad categories such as the duty not to waste charitable assets and the duty to act exclusively in the best interest of the charitable beneficiaries, in this case veterans in need of career training and employment assistance.
66. Various individual board members and officers ignored these fiduciary duties. Many board members failed to inquire with respect to financial activities of AMVETS Career Center and AMVETS Service Foundation and when concerning information was provided, board members failed to take appropriate action to safeguard the interests of the veterans they served. Individuals with control over charitable assets continued to fund failing posts in violation of AMVETS policies and with disregard for the best interests of AMVETS Career Center’s intended charitable purposes. Post leaders receiving charitable assets to operate satellite career centers diverted charitable proceeds to general post uses. Although charitable activities at posts varied significantly, the majority of participating posts conducted little or no charitable programming, failed to report or account for the use of charitable funds and diverted charitable proceeds without regard for the charitable purposes of the career center or the best interest of the veteran beneficiaries.
67. Charitable solicitation activities benefitting all three AMVETS organizations implicated multiple provisions of Ohio’s Charitable Organizations Act (Chapter 1716 of the Revised Code) in that charitable solicitation proceeds were not devoted exclusively for declared purposes.

68. AMVETS Career Center, AMVETS Service Foundation and AMVETS Department of Ohio did not employ adequate financial controls or procedures and habitually comingled assets between the three organizations.
69. The Ohio Attorney General, in his role as *parens patriae* protects charitable trusts and their beneficiaries who should have benefited from charitable trust assets, including assets raised or held on behalf of veterans in need of career training or employment assistance.

VI. ASSURANCE

70. Throughout the Attorney General's Investigation, AMVETS Department of Ohio, AMVETS Career Center and AMVETS Service Foundation have been cooperative. In particular State Commander Vorhies, as well as other AMVETS leaders, took proactive steps to address the facts identified in this Assurance. The Attorney General's Office has developed an excellent working relationship with the AMVETS organizations in addressing these issues and all parties have worked together to fashion a meaningful resolution. AMVETS National has been fully cooperative with the Attorney General's investigators and has supported AMVETS in implementing these reforms.
71. Many AMVETS leaders appeared shocked and angered upon discovering the condition of satellite career centers. AMVETS leaders demanded immediate action to address the many issues presented in this Assurance and have agreed with and even proposed many of reforms outlined below. AMVETS leaders have already implemented many of the following actions as of the date of this Assurance.
72. AMVETS Career Center offers the following assurances:
- A. AMVETS Career Center's Board of Trustees is now independent. Although AMVETS Career Center continues to have a close relationship with other AMVETS organizations, the charity's Board will no longer be controlled by AMVETS Department of Ohio officials;

- B. Former President Butch Hardy resigned from the AMVETS Career Center Board of Trustees;
- C. Terry Stone has resigned from the AMVETS Career Center Board of Trustees;
- D. AMVETS Career Center's Articles of Incorporation, Constitution and Bylaws will be amended to remove the requirement that AMVETS Department of Ohio officials, including the Executive Director, Commander, Judge Advocate and other Department officials be on the board of AMVETS Career Center;
- E. New members of the AMVETS Career Center board were proposed by AMVETS leaders and then approved by the Attorney General. The new board of AMVETS Career Center includes the following individuals:
 - 1) Columbus City Councilman Hearcel Craig – Councilman Craig is a veteran of the US Armed Services. He currently chairs the Veterans Affairs Committee for the City of Columbus;
 - 2) Curtis McPherson – Executive Director of the Warren County Veterans Service Commission and former head of the Ohio VSC Association;
 - 3) Matt Slater – Director of Veterans Services for Family and Community Services, a Ravenna based nonprofit organization that serves the needs of veterans in northeast Ohio;
 - 4) Terry Sayers – Chapter Commander of the Disabled American Veterans of Trumbull County;
 - 5) Sandra Vorhies – AMVETS Department of Ohio Commander;
 - 6) Greg Wedin – AMVETS Career Center Board member since 2011 who advocated for reform and accountability;

- F. AMVETS Career Center's assets will not be comingled with assets of any other AMVETS organization. Moreover, AMVETS Career Center will maintain separate accounts that will be controlled exclusively by the AMVETS Career Center board and its delegates;
- G. AMVETS Career Center will avoid "verbal" contracts and will execute written arms-length agreements with other AMVETS organizations providing services. As an example, if AMVETS Career Center leases office space from AMVETS Department of Ohio, the charity should execute a written lease based on arms-length negotiation;
- H. AMVETS Career Center has ceased sending charitable proceeds to AMVETS posts operating satellite career centers as of November 2012. AMVETS Career Center will no longer send charitable funds to any AMVETS posts with the following exception. AMVETS Career Center is currently evaluating the viability of the satellite career centers on an individual basis. In the event AMVETS Career Center decides to utilize satellite career centers at specific posts that have a proven record of providing assistance to veterans for career training, AMVETS Career Center will execute written arms-length agreements for rental of space and other specific services to be invoiced by the post. In no case will posts hold charitable assets;
- I. AMVETS Career Center will adopt written policies, including financial policies, a conflict of interest policy and a reimbursement policy. Draft policies have already been prepared for consideration;
- J. AMVETS Career Center terminated James Schulte and Schulte's related companies from all accounting, payroll and audit/review services for the charity.

73. AMVETS Department of Ohio offers the following assurances:

- A. AMVETS Department of Ohio will adopt written financial policies and other policies including a conflicts of interest policy and a reimbursement policy;
- B. AMVETS Department of Ohio has stopped the practice of signing checks in advance or “blank.”
- C. AMVETS Department of Ohio removed George Ondick from all AMVETS committees, boards and from his position as Executive Director;
- D. George Box resigned his position as Finance Officer;
- E. Former Assistant Director Sam Pierce has resigned from all State AMVETS boards and committees and has agreed to pay restitution to AMVETS Department of Ohio;
- F. Former Finance Officer Ray Hess resigned from all State AMVETS boards and committees;
- G. AMVETS Department of Ohio will account to AMVETS Service Foundation for all amounts it receives from the Service Foundation including the purposes those funds supported;
- H. AMVETS Department of Ohio terminated James Schulte and Schulte’s related companies from all accounting, payroll and audit/review functions for all state AMVETS organizations.

74. AMVETS Service Foundation offers the following assurances:

- A. AMVETS Service Foundation will adopt written financial policies and other policies including a conflicts of interest policy and a reimbursement policy;
- B. David Workman, President of AMVETS Service Foundation, has resigned from his position with the Service Foundation and has resigned from all State AMVETS boards and committees;

- C. AMVETS Service Foundation will reform its solicitation practices both on its website and at the point of solicitation to indicate affirmatively that proceeds benefit other AMVETS organizations, including the AMVETS Department of Ohio. AMVETS Service Foundation will not indicate to the public that proceeds benefit specific causes when it is not the case.
 - D. AMVETS Service Foundation will complete all future IRS forms 990 to indicate actual program service accomplishments;
 - E. AMVETS Service Foundation will require detailed reports from AMVETS Department of Ohio for all grants made to the Department, including the specific purposes to which Service Foundation grants were applied;
 - F. AMVETS Service Foundation assets will be controlled exclusively by AMVETS Service Foundation's Board of Trustees and the Board's delegates and will not be controlled by AMVETS Department of Ohio;
 - G. AMVETS Service Foundation terminated James Schulte and Schulte's related companies from all accounting, payroll and audit/review functions for the Service Foundation.
75. The Attorney General's Office will partner with AMVETS leaders to provide board governance and fiduciary training for the board members of AMVETS Career Center, AMVETS Department of Ohio and AMVETS Service Foundation.
76. The Attorney General's Office signed separate agreements with fifty-nine AMVETS posts purporting to operate satellite career centers. All fifty-nine posts have agreed to sign five-year fundraising contracts with AMVETS Career Center and will continue donating required charitable distributions to AMVETS Career Center. All fifty-nine posts agree that they will no longer receive any charitable proceeds or refunds from AMVETS Career Center except for payment for actual services provided to AMVETS Career Center through written arms-length

agreements. Additionally, all fifty-nine posts have agreed to turn over to AMVETS Career Center all assets held by the post for the benefit of the satellite career center.

77. The Attorney General is aware that the vast majority of charitable proceeds received by posts and by AMVETS Department of Ohio during the review period have been spent and any requirement disgorging these spent amounts would only result in insolvency without any benefit to AMVETS organizations or the veterans they serve.
78. The Attorney General accepts this Assurance from AMVETS Career Center, AMVETS Department of Ohio and AMVETS Service Foundation and has closed his investigation with respect to those parties. The Attorney General is satisfied that AMVETS leaders will exercise their fiduciary commitments and ensure that charitable assets benefit worthy veteran's causes.
79. This Court shall retain jurisdiction of this action for the purpose of enforcing this Assurance.
80. Each signatory represents and warrants that he/she has been duly authorized to sign this document and so bind each party to all terms and conditions thereof.
81. The parties acknowledge that they have been given ample opportunity to be advised by legal counsel as to the meaning and effect of each provision of this Assurance of Discontinuance and that each has elected to enter into this Assurance of Discontinuance.
82. The parties agree that this Assurance of Discontinuance is binding upon the successors and assignees of all parties and that this Assurance of Discontinuance constitutes the entire agreement and understanding of the parties.

CERTIFICATION

Each individual signing below represents that he or she is authorized and directed to sign this Assurance of Discontinuance on behalf of the party represented and further represents that he or she has the requisite authority to bind the party on behalf of whom they are signing.

WHEREFORE, the undersigned have executed this Assurance of Discontinuance this 26th day of March, 2013.

For MIKE DEWINE,

ATTORNEY GENERAL OF OHIO



Samuel J. Kirk III (Reg. # 0077758)
Assistant Section Chief, Charitable Law Section
Christopher S. Cellier (Reg. # 0087878)
Ashley Rodabaugh (Reg. # 0089389)
Assistant Attorneys General

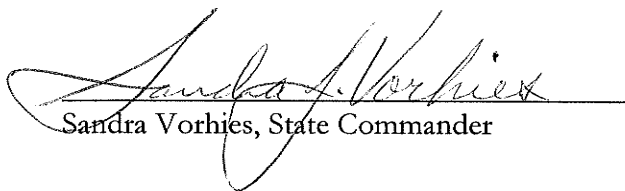
For AMVETS CAREER CENTER, INC.

For AMVETS SERVICE FOUNDATION

Greg Wedin, President

Donald Limer, Acting President

For AMVETS DEPARTMENT OF OHIO



Sandra Vorhies, State Commander

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Attorney General
Charitable Law Section

CERTIFICATION

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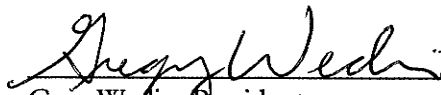
WHEREFORE, the undersigned have executed this Assurance of Discontinuance this 13 day of MARCH, 2013.

For MIKE DEWINE,

ATTORNEY GENERAL OF OHIO

Samuel J. Kirk III (Reg. # 0077758)
Assistant Section Chief, Charitable Law Section
Christopher S. Cellier (Reg. # 0087878)
Ashley Rodabaugh (Reg. # 0089389)
Assistant Attorneys General

For AMVETS CAREER CENTER, INC.



Greg Wedin, President

For AMVETS SERVICE FOUNDATION

Donald Limer, Acting President

For AMVETS DEPARTMENT OF OHIO

Sandra Vorhies, State Commander

CERTIFICATION

Each individual signing below represents that he or she is authorized and directed to sign this Assurance of Discontinuance on behalf of the party represented and further represents that he or she has the requisite authority to bind the party on behalf of whom they are signing.

WHEREFORE, the undersigned have executed this Assurance of Discontinuance this 18 day of March, 2013.

For MIKE DEWINE,
ATTORNEY GENERAL OF OHIO

Samuel J. Kirk III (Reg. # 0077758)
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Christopher S. Cellier (Reg. # 0087878)
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Assistant Attorneys General

For AMVETS CAREER CENTER, INC.

Greg Wedin, President

For AMVETS SERVICE FOUNDATION

Donald Limer
Donald Limer, Acting President

For AMVETS DEPARTMENT OF OHIO

Sandra Vorhies, State Commander

Respectfully submitted,

MIKE DEWINE
Ohio Attorney General

/s/ Samuel J. Kirk III
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