



Commonwealth of Massachusetts  
Office of the State Auditor  
Suzanne M. Bump

*Making government work better*

Official Audit Report – Issued October 17, 2019

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## Communitas, Inc. and Affiliates

For the period July 1, 2015 through June 30, 2018





Commonwealth of Massachusetts  
Office of the State Auditor  
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*Making government work better*

October 17, 2019

Ms. Susan Kirkland, Chair  
Communitas, Inc. and Affiliates  
60-D Audubon Road  
Wakefield, MA 01880

Dear Ms. Kirkland:

I am pleased to provide this performance audit of Communitas, Inc. and Affiliates. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2015 through June 30, 2018. My audit staff discussed the contents of this report with management of the organization.

I would also like to express my appreciation to Communitas, Inc. and Affiliates for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular watermark.

Suzanne M. Bump  
Auditor of the Commonwealth

cc: Paul Cote, Chief Executive Officer and Chief Financial Officer

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## **EXECUTIVE SUMMARY**

Communitas, Inc. and Affiliates provides various programs for people with developmental and intellectual disabilities. In this performance audit, we examined certain administrative and program expenses that Communitas charged to state contracts to determine whether they were reasonable, allowable, and properly documented and whether Communitas had properly disclosed in its financial statements all of its nonreimbursable expenses for the audit period, July 1, 2015 through June 30, 2018.

Our audit revealed no significant instances of noncompliance by Communitas that must be reported under generally accepted government auditing standards.<sup>1</sup>

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1. During the audit period, Communitas billed a total of \$644 in expenses against its state contracts that were unallowable according to state regulations, in that they either were not properly documented or were for the payment of sales taxes, which are not an allowable expense under state contracts. During our audit, we brought this matter to the attention of Communitas management, who said that they would properly address this issue.

## OVERVIEW OF AUDITED ENTITY

Communitas, Inc. and Affiliates,<sup>2</sup> headquartered in Wakefield, is a private, nonprofit, tax-exempt human-service organization established to help improve the quality of life of people with intellectual and developmental disabilities. It was founded in 1954 and originally incorporated in 1957 as East Middlesex Association for Retarded Citizens, Inc.; it adopted its current name in 2018. Communitas employed an average of 186 full-time employees during our audit period.

According to Uniform Financial Statements and Independent Auditor's Reports<sup>3</sup> Communitas prepared during our audit period, the organization received revenue from the following sources:

### Annual Revenue by Fiscal Year\*

Source	2016	2017	2018
Department of Developmental Services	\$ 8,219,510	\$ 8,489,412	\$ 8,790,808
Department of Children and Families	77,538	98,423	101,631
Massachusetts Commission for the Blind	0	0	6,274
Other State Agency Purchase of Service	91,020	55,964	53,757
Medicaid	4,739,327	4,904,056	4,807,691
State Agency Non-Purchase of Service	1,251,197	1,382,976	1,752,570
<b>Total</b>	<b><u>\$ 14,378,592</u></b>	<b><u>\$14,930,831</u></b>	<b><u>\$ 15,512,731</u></b>

\* Communitas's fiscal year begins July 1 and ends on June 30 (e.g., fiscal year 2016 began July 1, 2015 and ended June 30, 2016).

Communitas provides a variety of services to people with developmental disabilities and their families, including family services, adult residential services, and day and recreation programs, which are described in the [Appendix](#).

2. Communitas established two other nonprofit corporations that hold legal title to four of its group homes. Reading Residential Programs Inc. was established in 1994, and the Hopkins Street Housing Corporation was established in 1997. The three corporations share common board members and management. Communitas's annual Uniform Financial Statement and Independent Auditor's Report includes the activity of these affiliated corporations.
3. Each year, agencies that operate social programs and contract with various Commonwealth departments must prepare these financial statements and file them electronically with the state's Operational Services Division.

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## AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of Communitas, Inc. and Affiliates for the period July 1, 2015 through June 30, 2018.

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

Below is a list of our audit objectives, indicating each question we intended our audit to answer and the conclusion we reached regarding each objective.

Objective	Conclusion
1. Are the administrative and program expenses charged to state contracts reasonable, allowable, and properly documented according to Section 1 of Title 808 of the Code of Massachusetts Regulations (CMR)?	Yes
2. Did Communitas identify and report all of its nonreimbursable expenses, with the appropriate non-state revenue to offset these expenses? <sup>4</sup>	Yes

To achieve our audit objectives, we gained an understanding of the internal controls we determined to be relevant to our audit objectives and tested the operating effectiveness of controls over expenditures. We conducted further testing as described below.

- We selected a statistical sample of 30 non-payroll expenditures (totaling \$13,216) from a population of 45,923 transactions (totaling \$13,856,193), with a confidence level of 95% and a tolerable error rate of 10%, to determine whether any nonreimbursable costs were not reported. Because the type of error we found (taxes paid that should have been reported as

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4. The Operational Services Division has an "Audit Resolution Policy" that establishes specific resolution standards with which state agencies must comply. The standards state that nonreimbursable expenses are subject to recovery through recoupment, delivery of in-kind services, or rate adjustment. However, under an Operational Services Division policy, human-service providers are not required to repay expenses that an audit has identified as nonreimbursable if they have received sufficient non-state contract revenue. In such cases, providers can adjust and refile the financial statements they previously submitted to the division to show that non-state funds were used to pay for (i.e., offset) the nonreimbursable expenses.

nonreimbursable costs) would not affect the entire population, we did not project the results to the entire population.

- We selected a nonstatistical judgmental sample of 12 out of 36 monthly credit card statements, which consisted of credit card charges for four months (November, December, May, and June) of each fiscal year during our audit period. Our sample consisted of 492 transactions (totaling \$100,705) from a population of 1,420 transactions (totaling \$279,159). We then reviewed the charges to determine whether they were reasonable, allowable, and properly documented. Because we used nonstatistical sampling, we did not project the results to the entire population.
- We reviewed all fiscal year end accounting entries posted to the general ledger for evidence of cost shifting (reallocation) between programs.
- We reviewed all general ledger expense transactions categorized as “non-reimbursable costs” in 808 CMR 1 (to which the Uniform Financial Statement and Independent Auditor’s Report [UFR] refers as “non-reimbursable expense details”) to determine whether the items purchased were reported in the UFR as “non-reimbursable expense details.”
- We reconciled offsetting revenue from the general ledger to the UFRs to determine whether it was appropriately recorded in the UFRs. We then selected a nonstatistical sample of 21 transactions from a population of 176 general ledger offsetting revenue transactions (investment income, contributions, property sales, and commercial income) to determine whether they met the definition of “offsetting revenue” in 808 CMR 1.02.

### **Data Reliability Assessment**

To determine the reliability of the information obtained from the automated accounting system, we conducted information security testing by reviewing policies and procedures, conducting interviews, and performing observations. Additionally, we performed validity and integrity tests of the data, which included (1) scanning for duplicate records, (2) tracing a sample of 10 expense documents to the general ledger, and (3) tracing a sample of 10 expense transactions in the general ledger to supporting expense documentation. Communitas’s automated general ledger is the basis for the preparation of its UFRs that are audited annually by an independent public accountant. Because of these factors, we determined that the data obtained from the accounting system were sufficiently reliable for the purpose of our audit.

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## APPENDIX

### Communitas, Inc. and Affiliates Programs

The following descriptions of services provided by Communitas, Inc. and Affiliates are excerpted from the organization's website.

#### Family Services

Communitas's website describes in more detail many specialized family programs it offers, such as support groups, informational sessions, and education and advocacy for families and people supporting children and adults with developmental disabilities.

#### Family Resource Center

*The Family Resource Center offers assistance to parents and other primary care givers in their efforts to provide care in the home and community for a child or an adult with a developmental disability. Access to some services requires that the family member live at home and has been approved for supports by the Department of Developmental Services (DDS) intake and eligibility process. However, there are many supports available to families throughout eastern Massachusetts that do not require a determination of eligibility from DDS. Families living in the Metro North Area (Everett, Lynnfield, Malden, Medford, Melrose, North Reading, Reading, Stoneham) may be able to receive additional supports through DDS. Our philosophy is to do whatever it takes to support families by offering services which are flexible, individualized and family directed. We believe that when people with developmental disabilities and their families can obtain the information necessary they will lead more independent and fulfilling lives.*

#### Adult Family Care

*Adult Family/Foster Care (AFC) is a MassHealth funded program that helps support individuals 16 years of age and older living in the community who are unable to live alone independently. Participant and caregiver eligibility is determined through MassHealth AFC regulations. Participants may live either with related caregivers or non-related caregivers. Caregivers receive a tax exempt payment for their services. In addition, families are supported by a team of professionals (Case Manager and Registered Nurse) through regular home visits, specialized training based on the Plan of Care, and phone support.*



## Adult Residential Services

### 24-Hour Support Community Group Home

*Over sixty people are currently supported in 10 homes. Each home is uniquely designed in terms of staffing, layout, location, and the level of emotional and educational assistance provided. Bedrooms are chosen and decorated to the individual's personal preferences and tastes; while the common areas such as living room, dining room and kitchen reflect the collective tastes of all the roommates. Support plans are also individualized and have ranged in focus from skill areas such as money management and health care management, to planning a dream vacation.*

### Independent Home Supports

*There are currently twenty five individuals in the In-Home Supports Program. Communitas owns five properties in which sixteen of the individuals reside. The other nine individuals live in a subsidized rental apartment or in family provided apartments. Weekly service hours for each individual are determined by the nature of their need in conjunction with the Department of Developmental Services (DDS). Most individuals receive from four to fifteen hours of support each week. Some of the supports provided to promote further independence are in the areas of meal planning and preparation, money management, apartment upkeep, travel training, building social skills, managing medical appointments, home safety, and the appropriate use of technology and the internet.*

## Day and Recreation Programs

The Communitas website describes the day services it provides in more detail, including programs that teach life skills, provide career services, and offer support for people with autism or dementia / Alzheimer's disease.

### Day Services

*Communitas has three Day Programs located in Wakefield, Burlington and Beverly. Each Program offers a wide spectrum of service models geared towards individuals with Developmental & Intellectual disabilities. Each of these three programs support participants by using a person centered approach in its day to day operations and works in creative ways to teach skills that are both meaningful to everyday living and promotes independence.*

### Recreation

*The Recreation Department seeks to provide recreation and leisure experiences to people of all ages and abilities which:*

- *Promote Independence*

- *Build Life Skills*
- *Maximize Community Inclusion and Social Interaction*
- *Encourage Active Lifestyles; and*
- *Enhance Quality of Life!*