



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

Making government work better

Official Audit Report-Issued January 13, 2014

Bay Cove Human Services, Inc. and Affiliate

For the period July 1, 2009 through December 31, 2011





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

Making government work better

January 13, 2014

William Sprague, President/CEO
Bay Cove Human Services, Inc. and Affiliate
66 Canal Street
Boston, MA 02114

Dear Mr. Sprague:

I am pleased to provide this performance audit of Bay Cove Human Services, Inc. and Affiliate (Bay Cove). This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2009 through December 31, 2011. My staff discussed the contents of this report with management of the agency, and their comments are reflected in this report.

I would also like to express my appreciation to Bay Cove 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 horizontal line.

Suzanne M. Bump
Auditor of the Commonwealth

TABLE OF CONTENTS

INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS 1

OVERVIEW OF AUDITED AGENCY 3

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY 5

AUDIT FINDINGS 7

1. UNALLOWABLE VEHICLE COSTS TOTALING \$28,579 CHARGED TO STATE CONTRACTS..... 7

**2. INADEQUATE INTERNAL CONTROLS OVER TIMESHEETS RESULTING IN \$194,464 IN PAYROLL EXPENSES
 THAT WERE NOT PROPERLY AUTHORIZED 9**

**3. AT LEAST \$219,914 IN SERVICES PROCURED WITHOUT COMPETITIVE BIDDING AND WITHOUT FORMAL
 WRITTEN AGREEMENTS..... 12**

APPENDIX 15

INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of Bay Cove Human Services, Inc. and Affiliate¹ (Bay Cove) for the period July 1, 2009 through December 31, 2011. Bay Cove was incorporated on May 8, 1973 under the provisions of Chapter 180 of the General Laws as a not-for-profit corporation. Located in Boston, Bay Cove provides social, vocational, educational, and residential support services to individuals, and the families of individuals, who have developmental disabilities, mental illnesses, and substance-abuse issues and/or are in need of elder services. Bay Cove operates a number of programs, as described in the appendix to this report, that are dedicated to serving individuals living in the Boston area and in southeastern Massachusetts.

This audit was conducted as part of OSA's ongoing efforts to audit human-service contracting activity by state agencies and to promote accountability, transparency, and cost effectiveness in state contracting.

Highlight of Audit Findings

- Bay Cove incorrectly charged \$28,579 against its state contracts for fringe-benefit expenses associated with automobiles it provided to four members of its staff for their personal use, instead of classifying such costs as nonreimbursable.
- Bay Cove frequently paid its employees based on timesheets that did not indicate supervisory review or approval. In fact, for the two payroll periods that OSA tested, 61% of the timesheets we reviewed (the full set of which represented \$319,119 in salary expenses) lacked proper supervisory approval. As a result, there is inadequate assurance that these payroll expenses that Bay Cove charged against its state contracts were accurate and appropriate.
- For \$219,914 that Bay Cove paid for services to nine contractors (to whom it paid more than \$15,000 each), there was no evidence that Bay Cove used a competitive procurement process in procuring the services. As a result, the agency cannot be certain that it received the most competitive price for these items. Bay Cove also did not enter into formal written agreements that had clearly defined duties and responsibilities with any of the nine contractors. As a result, Bay Cove had no officially established standard against which to measure these contractors' performance and did not protect itself from any legal issues (e.g., claims for nonperformance of services, liability claims for any property damage or personal injury) that could arise.

¹ Kit Clark Senior Services Inc., an affiliate of Bay Cove, is a separately incorporated nonprofit organization that is managed as a division of Bay Cove. The two corporations share a board of directors, and consolidated financial statements are prepared reflecting the combined activities of both corporations.

Recommendations of the State Auditor

- Bay Cove should refund the Commonwealth the \$28,579 in unallowable vehicle expenses that it charged against its state contracts during our audit period. In the future, the agency should ensure that all nonreimbursable expenses, including those associated with the personal use of any agency vehicle, are properly identified and reported and not charged against Bay Cove's state contracts.
- Bay Cove should ensure that all staff timesheets are properly reviewed and approved before payment.
- Bay Cove should ensure that all future procurements, including those for consultant services, include a competitive procurement process in accordance with the regulations of the state's Operational Services Division and with Bay Cove policies. Further, Bay Cove should enter into formal written contracts with all consultants with which it conducts business, setting forth clearly defined duties and responsibilities for both parties.

OVERVIEW OF AUDITED AGENCY

Background

Bay Cove Human Services, Inc. and Affiliate (Bay Cove) was incorporated on May 8, 1973 under the provisions of Chapter 180 of the Massachusetts General Laws as a not-for-profit corporation. Since its inception, Bay Cove has merged with the following organizations: Chelsea Alcohol and Substance Abuse Program Inc. (October 1994), Edna Stein Academy Inc. (June 1996), Center House Inc. (June 2005), Kit Clark Senior Services Inc. (September 2006), and Andrew House Corporation (May 2011). After our audit period, Bay Cove assumed the operation of programs for developmentally disabled consumers in Charlestown formerly operated by the Life Focus Center, Inc. In July 2012, Bay Cove assumed the operation of four residential programs in East Taunton that were previously operated by Associates for Human Services Inc.

Located in Boston, Bay Cove provides social, vocational, educational, and residential support services to individuals, and the families of individuals, who have developmental disabilities, mental illnesses, and substance-abuse issues and/or are in need of elder services. Bay Cove operates a number of programs that are dedicated to serving individuals living in the Boston area and in southeastern Massachusetts. These programs fall into the following categories: the Bay Cove Academy therapeutic day school (1 program), Developmental Disabilities (6 programs), Early Intervention (1 program), Kit Clark Senior Services (18 programs), Mental Health (10 programs), and Addiction Services (10 programs). Bay Cove also contracts with the United States Department of Housing and Urban Development to manage residential facilities that provide affordable housing to individuals with various disabilities. A detailed description of Bay Cove's services appears in the appendix.

As of June 2011, Bay Cove owned 34 buildings and leased 62 apartments to consumers receiving its services. After our audit period, Bay Cove opened Connors House, a residential facility in Revere designed to allow nursing-home residents with intensive medical needs to return to community living. Bay Cove had opened a similar facility in Roslindale in spring 2011.

During fiscal years 2011 and 2010, Bay Cove received revenue from a variety of sources, as indicated in the following table:

| Revenue Source* | Fiscal Year 2011 | Fiscal Year 2010 |
|--|---------------------|---------------------|
| Contributions, Gifts, Legacies, and Bequests | \$ 228,189 | \$ 298,027 |
| Government In-Kind | 84,706 | 160,284 |
| Private In-Kind | 61,310 | 254,061 |
| Total Contributions and In-Kind | <u>374,205</u> | <u>712,372</u> |
| Massachusetts Government Grant | 3,174,913 | 3,033,543 |
| Total Grants | <u>3,174,913</u> | <u>3,033,543</u> |
| Department of Mental Health | 27,236,393 | 27,062,122 |
| Department of Developmental Services | 18,819,812 | 17,111,964 |
| Department of Public Health | 4,282,231 | 4,216,715 |
| Department of Children and Families | 67,911 | 79,200 |
| Department of Transitional Assistance | 253,544 | 331,653 |
| Massachusetts Rehabilitation Commission | 219,182 | 147,877 |
| Department of Early Education and Care | 114,615 | 0 |
| Department of Elementary and Secondary Education | 182,577 | 182,192 |
| Executive Office of Elder Affairs | 39,042 | 39,042 |
| Department of Housing and Community Development | 69,590 | 83,272 |
| Purchase-of-Service Subcontract | 1,888,472 | 2,150,928 |
| Other Massachusetts State Agency Purchase-of-Service | 0 | 1,340,866 |
| Massachusetts Local Government / Quasi-Government Entities | 2,887,413 | 1,575,865 |
| Non-Massachusetts State/Local Government | 70,688 | 0 |
| Medicaid—Direct Payments | 9,447,885 | 5,065,675 |
| Medicaid—Massachusetts Behavioral Partnership Subcontract | 0 | 3,804,750 |
| Client Resources | 3,376,432 | 2,555,854 |
| Massachusetts Publicly Sponsored Client Offsets—Insurance and Nutritional Supports | 0 | 694,114 |
| Private Client Third Party / Other Offsets | 7,985,230 | 8,033,876 |
| Total Assistance and Fees | <u>76,941,017</u> | <u>74,475,965</u> |
| Commercial Activities | 30,248 | 36,206 |
| Investment Revenue | 210,992 | 114,893 |
| Other Revenue | 709,354 | 396,088 |
| Released Net Assets—Programs | 840,915 | 1,399,472 |
| Total Revenue | <u>\$82,281,644</u> | <u>\$80,168,539</u> |

* The information in this table was extracted from the Uniform Financial Statements and Independent Auditor's Reports that Bay Cove filed with the Commonwealth.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of Bay Cove Human Services, Inc. and Affiliate (Bay Cove) for the period July 1, 2009 through December 31, 2011.

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 that provides a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were as follows:

- To assess Bay Cove's business practices and its compliance with applicable laws, rules, and regulations, as well as the various fiscal requirements of its state contracts. The specific areas tested included senior management salaries and fringe benefits, bonus payments, travel, credit cards, conferences, vehicles, related parties, and consultant payments charged against state contracts.
- To conduct testing in areas related to the procurement and payment of consultant services, to find out whether they complied with the regulations of the state's Operational Services Division (OSD) and Bay Cove's internal policies and procedures.

To accomplish our objectives, we first reviewed the internal controls Bay Cove had established and implemented over certain aspects of its operations. The purpose of this review was to obtain an understanding, and test the effectiveness, of the control environment and the flow of transactions through Bay Cove's accounting system. We then reviewed applicable laws, rules, and regulations and held discussions with the Bay Cove officials who were responsible for the various operational and financial areas being reviewed. We used these assessments and discussions in planning and performing our audit tests. We then examined and analyzed Bay Cove's financial statements, payroll and fringe-benefit records, and other documentation related to various administrative expenses, including credit cards, conferences, vehicles, consultant billings, and other pertinent financial information. The purpose of this examination and analysis was to determine whether these expenses were reasonable, allowable, and properly authorized. Finally, we reviewed records related to a sample of procurements for consultant services to assess Bay Cove's compliance with state regulations and its own internal policies and procedures in this area.

To obtain our audit evidence, we used non-statistical, judgmental sampling in the testing of payroll and fringe benefits, administrative expenses, and billings. We selected a cross-section of samples from throughout the audit period and accounted for (1) the likelihood of an error based on the details of the transactions and (2) the materiality of the transactions as it relates to the allowability of costs and Bay Cove's mission. As a result of this sampling approach, we were not able to project our results to the various populations.

In assessing the reliability of Bay Cove's automated information system, we performed the following procedures: (1) compared source documents, such as invoices, credit-card slips, and check copies, to the electronic accounting system; (2) used audit software to extract and analyze electronic data for comparison with the general ledger information; and (3) used Bay Cove's audited financial statements to obtain financial information and disclosures. Although these procedures do not constitute a full-scope assessment of the reliability of Bay Cove's computer-generated data, we believe our procedures were adequate to conclude that Bay Cove's data was sufficiently reliable for our purposes.

Based on our audit, we have concluded that, except for the issues addressed in the Audit Findings section of this report, for the period July 1, 2009 through December 31, 2011, Bay Cove maintained adequate internal controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT FINDINGS

1. UNALLOWABLE VEHICLE COSTS TOTALING \$28,579 CHARGED TO STATE CONTRACTS

During our audit period, Bay Cove Human Services, Inc. and Affiliate (Bay Cove) charged \$28,579 against its state contracts for fringe-benefit expenses associated with company-owned/leased² vehicles that it provided to four of its administrative staff members for their personal use. According to state regulations, non-program expenses such as these are unallowable and nonreimbursable. These funds should instead have been spent on reimbursable items.

In 808 Code of Massachusetts Regulations (CMR) 1.05(12), the state's Operational Services Division (OSD), the agency responsible for regulating and overseeing the activities of all contracted human-service providers, defines certain costs that are unallowable and nonreimbursable under state contracts as follows:

Non-Program Expenses. Expenses of the Contractor which are not directly related to the social service Program purposes of the Contractor.

According to Bay Cove's records, during our audit period it provided six of its administrative staff members with company-owned/leased vehicles that could be used for personal purposes. Based on this fact, we analyzed Bay Cove's records related to what it reported as nonreimbursable expenses and noted that only the personal mileage amounts for the president / chief executive officer (CEO) and the executive director, which appear in the table below, were included on the employees' Internal Revenue Service (IRS) W-2 forms as taxable income for the calendar years shown below and properly identified as nonreimbursable costs rather than being charged to Bay Cove's state contracts.

| | 2009 | 2010 | 2011 | Total |
|--------------------|-----------------|------------------|------------------|------------------|
| President/CEO | \$ 3,855 | \$ 6,440 | \$ 8,791 | \$ 19,086 |
| Executive Director | 3,462 | 3,712 | 4,076 | 11,250 |
| Total | <u>\$ 7,317</u> | <u>\$ 10,152</u> | <u>\$ 12,867</u> | <u>\$ 30,336</u> |

For the four other administrative staff members who were allowed to use company-owned/leased vehicles for personal purposes, the personal mileage amounts for these vehicles were reported as

² The vehicles provided to two employees (the Vice Presidents of Developmental Disabilities and Addictive Services) were leased; the other two vehicles were owned by Bay Cove.

taxable income on their IRS W-2 forms for the calendar years shown below but were incorrectly charged by Bay Cove against its state contracts, as indicated in the table below.

| | 2009 | 2010 | 2011 | Total* |
|---|-----------------|-----------------|-----------------|------------------|
| Vice President, Developmental Disabilities Services | \$ 2,386 | \$ 1,550 | \$ 2,361 | \$ 6,297 |
| Principal, Bay Cove Academy | 1,978 | 2,300 | 1,721 | 5,999 |
| Vice President, Mental Health | 4,682 | 4,821 | 4,656 | 14,159 |
| Director of Facilities | 708 | 708 | 708 | 2,124 |
| Total | <u>\$ 9,754</u> | <u>\$ 9,379</u> | <u>\$ 9,446</u> | <u>\$ 28,579</u> |

* Amounts were computed using personal-use miles multiplied by the IRS per-mile reimbursement rate, except for the agency's maintenance employee, who was allowed to charge \$3 per day for personal use.

As the table above indicates, during our audit period, the agency incorrectly charged a total of \$28,579 to its state contracts for these vehicle expenses instead of classifying them as nonreimbursable.

Bay Cove officials told us that it relied on guidance from its private accounting firm in concluding that the personal use of these corporate automobiles did not have to be classified as nonreimbursable costs. The officials added that two of the employees were given the use of a car in lieu of a salary increase.

Recommendations

Bay Cove should refund the Commonwealth the \$28,579 in unallowable vehicle expenses that it charged against its state contracts during our audit period. In the future, the agency should ensure that all nonreimbursable expenses, including those associated with the personal use of any agency vehicle, are properly identified and reported and not charged against Bay Cove's state contracts.

Auditee's Response

Following guidance from our CPA firm, we did not classify the personal use for the individuals noted as non-reimbursable on the [Uniform Financial Statement and Independent Auditor's Report] based on the following logic.

Director of Facilities / School Principal:

These vehicles are driven to staff's homes on nights and weekends so that they can be garaged more safely and/or less expensively for insurance purposes at said staff homes than at the program sites. During business hours, the vehicles are treated as program vehicles rather than personal vehicles and are made available to any staff that requires program-related transportation. The commuting and personal use of these vehicles is included on the staff's W2s.

Vice President of Development Disabilities / Vice President of Mental Health:

The salary provided to these individuals was reduced by \$5,000 which was our estimated value of the personal use of the Agency vehicle and (as noted) that value was added to the employee's W2. It was our interpretation that since the salary we would have paid them in lieu of this benefit would have been reimbursable by our funders that no re-classification was required.

Auditor's Reply

Bay Cove reported the value of the personal use of the vehicles on each employee's W-2 (Box 14). This recognition of the value of personal use indicates benefit to the individual rather than benefit to Bay Cove's programs or consumers. Therefore, the costs are nonreimbursable according to 808 CMR 1.05(12).

Bay Cove's contention that the dollar value of the personal use of a vehicle should be allowable because a salary increase of equal value would be allowable is without merit because any expenses associated with the personal use of a vehicle are unallowable and therefore nonreimbursable regardless of salary amounts.

2. INADEQUATE INTERNAL CONTROLS OVER TIMESHEETS RESULTING IN \$194,464 IN PAYROLL EXPENSES THAT WERE NOT PROPERLY AUTHORIZED

Bay Cove frequently paid its employees based on timesheets that did not indicate supervisory review or approval. In fact, for the two payroll periods that we tested, 61% of the timesheets we reviewed (the full set of which represented \$319,119 in salary expenses) lacked proper supervisory approval. As a result, there is inadequate assurance that these payroll expenses that Bay Cove charged against its state contracts were accurate and appropriate.

OSD has promulgated Terms and Conditions for Human and Social Services (General Contract Conditions), with which all human-service providers, such as Bay Cove, that contract with state agencies must comply. According to these General Contract Conditions, human-service providers are required to maintain accurate and complete financial records of expenses, including payroll records, in order to receive reimbursement for these expenses. Specifically, the General Contract Conditions state,

The Contractor shall maintain records, books, files and other data as required by 808 CMR 1.00 and as specified in a Contract and in such detail as shall properly substantiate claims for payment under a Contract.

In addition, OSD's Uniform Financial Report Auditor's Compliance Supplement states,

Contractor organizations must maintain a system of documenting each full- and part-time employee's attendance, hours worked, program assignments and payroll expenses to enable the organization to prepare an accurate schedule of full-time equivalent employees and associated payroll expenses by job category and program.

Bay Cove processes a weekly payroll for the more than 1,600 employees working in its main office in Boston and 46 programs at more than 100 locations throughout southeastern Massachusetts. This process is governed by Bay Cove's payroll procedures, which require all employees to complete timesheets and obtain supervisor signatures for them. Although Bay Cove has established policies and procedures for timesheet approval, we determined that Bay Cove staff supervisors did not always review and sign off on timesheets before their submission to Bay Cove's payroll department as required.

The table below shows the results of our testing of two judgmentally selected one-week payroll periods, which show that in both payroll periods, the majority of the timesheets we reviewed were not signed by employees' supervisors.

| Pay Period Ending | Total Reporting Units | Sample Reporting Units | Total Gross Wages Tested | Sample Gross Wages Unapproved | Percent of Sample Wages Unapproved | Timesheets Submitted | Unapproved Timesheets | Unapproved Individual Timesheets |
|-------------------|-----------------------|------------------------|--------------------------|-------------------------------|------------------------------------|----------------------|-----------------------|----------------------------------|
| 8/28/11 | 123 | 32 | \$ 225,908 | \$ 142,108 | 63% | 399 | 238 | 60% |
| 1/16/11 | 91 | 16 | \$ 93,211 | \$ 52,356 | 56% | 183 | 117 | 64% |

Our sample of timesheets for the week ending August 28, 2011³ showed that 60% of the timesheets we reviewed—representing 63% of the gross wages in the sample for that pay period—were unapproved. Similarly, our sample of timesheets for the week ending January 16, 2011⁴ showed that 64% of the timesheets we reviewed—representing 56% of the gross wages for that pay period—lacked supervisory approval.

From this test, it appeared that the majority of the timesheets that were missing supervisory signatures came from Bay Cove's offsite (non-central office) locations. Based on this, we tested an

³ From 123 reporting units used by Bay Cove to charge costs to state contracts, we chose a sample of 32 reporting units that yielded 399 timesheets.

⁴ Based on problems identified with the first sample, we chose more offsite reporting units for the second sample, which included 16 reporting units with 183 employees.

additional judgmental sample for which we reviewed timesheets for Bay Cove's facilities department, which had a large offsite staff. This test covered 17 weekly timesheets in the department over a seven-week period, and we found that, on average, 52.1% of the timesheets in this sample did not have supervisory approval.

Bay Cove's payroll manager told us that obtaining supervisory signatures at off-site locations can be difficult because of rotating shifts for both supervisors and their employees and because supervisors travel between locations based on needs and priorities and are not always available to review and approve their staff timesheets. The payroll manager stated that she contacts supervisors about the missing approvals but is not always able to obtain the signatures before processing the payroll. Senior management officials at Bay Cove told us that they were evaluating the feasibility of installing an automated timesheet system that could be accessed through the company's intranet site to address this problem.

Recommendations

Bay Cove should ensure that all staff timesheets are properly reviewed and approved before payment.

Auditee's Response

We do not agree that the lack of supervisory signatures on some timesheets in the sample tested indicates "inadequate assurance that these payroll expenses that (we) charged against (our) state contracts were accurate and appropriate". We maintain robust internal controls regarding contract monitoring, in which our Budget Analysts work closely and collaboratively with program managers, our Billing staff, and our Payroll department. Contract expenditures are monitored on a monthly basis to ensure accurate billing, and any necessary corrections or adjustments are completed upon discovery. Payroll and Billing staff are supervised under a different chain of command than the Budget Analysts, thereby ensuring segregation of duties and creating checks and balances on our billing and contract oversight. As such, we feel that the expenses recorded to our state contracts receive a thorough review in a timely manner, and the lack of supervisors' signatures on timesheets should not be extrapolated to suggest incorrect or inappropriate billing.

However, we agree that timesheets should include Supervisory approval and will take steps to further ensure that this occurs in the future, including the implementation of a new automated payroll system next year.

Auditor's Reply

The Office of the State Auditor (OSA) acknowledges that the internal controls mentioned in Bay Cove's response would help it properly administer its state contracts. However, a key control in ensuring the accuracy of employee attendance records, and the corresponding billings for staff-

related expenses to state contracts, is assurance that supervisory review and approval of staff attendance records to support these billings are properly conducted and documented. It appears that Bay Cove is aware of this fact, since its own payroll procedures require all of its employees to complete timesheets and obtain supervisor signatures for them. Based on its response, Bay Cove is taking measures to address our concerns in this area, and in OSA's opinion, a new payroll system that includes online time reporting could facilitate timely supervisory review and approval of staff timesheets.

3. AT LEAST \$219,914 IN SERVICES PROCURED WITHOUT COMPETITIVE BIDDING AND WITHOUT FORMAL WRITTEN AGREEMENTS

During our audit period, Bay Cove made payments for services totaling \$219,914 to nine contractors whom it paid more than \$15,000 each. Based on our review of Bay Cove's records related to these payments, we identified two problems. First, contrary to OSD regulations and its own internal policies and procedures, there was no evidence that Bay Cove used a competitive procurement process in procuring these services. As a result, the agency cannot be certain that it received the most competitive price for these items. Second, Bay Cove did not enter into formal written agreements that had clearly defined duties and responsibilities with any of the nine contractors that we reviewed. As a result, Bay Cove had no officially established standard against which to measure these contractors' performance and did not protect itself from any legal issues (e.g., claims for nonperformance of services, liability claims for any property damage or personal injury) that could arise.

OSD regulations require human-service vendors to use a competitive procurement process when procuring goods and services. Specifically, 808 CMR 1.03(8) states,

All procurements of furnishings, equipment and other goods and services by or on behalf of a Contractor shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. Capital Items, as defined in 808 CMR 1.02, shall be acquired through solicitation of bids and proposals consistent with generally accepted accounting principles.

Bay Cove does not have a formal policy for procurements under \$15,000; however, agency officials told us that they use prudent business practices for purchases under \$15,000. Bay Cove's policies do require that procurements exceeding \$15,000 be put out to bid and that at least three formal or informal bids be obtained.

During our audit, Bay Cove gave us information related to all 11 of the procurements over \$15,000 that it made during our audit period. Based on our review of Bay Cove's documentation related to payments to the companies/individuals in our sample, we determined that, contrary to OSD regulations and its own policies, Bay Cove did not use a competitive procurement process for 9 of these 11 procurements, which are summarized in the table below.

| Fiscal Year | Description | Amount |
|-------------|---------------------------|-------------------|
| 2010 | Recruiting Search Fee | \$ 26,000 |
| 2010 | Software Support Dynamics | 21,803 |
| 2010 | Publication Design/Layout | 16,278 |
| 2011 | IT Upgrade | 25,497 |
| 2011 | Fundraising Support | 25,000 |
| 2011 | Planning Counsel | 43,486 |
| 2011 | Software Support Dynamics | 16,058 |
| 2011 | Publication Design/Layout | 19,042 |
| 2011 | Advertising | 26,750 |
| Total | | <u>\$ 219,914</u> |

According to its vice president of technology / chief information officer (CIO), Bay Cove obtains verbal quotes and performs Internet searches and compares the results to the current vendor's prices before deciding which vendor to use. However, the vice president of technology / CIO could not produce documentation to support his assertion that Bay Cove had obtained competitive bids.

In addition, as stated above, we found that Bay Cove did not enter into formal written agreements setting forth clearly defined duties and responsibilities with any of the nine contractors that we reviewed. This is contrary to best business practices, which would require obtaining such an agreement when procuring services from a consultant.

Recommendations

Bay Cove should ensure that all future procurements, including those for consultant services, include a competitive procurement process in accordance with OSD regulations and Bay Cove policies. Further, Bay Cove should enter into formal written contracts with all consultants with which it conducts business, setting forth clearly defined duties and responsibilities for both parties.

Auditee's Response

We maintain that a thoughtful and responsible methodology was employed to ensure that goods and services were purchased in a manner most beneficial to the Agency. We would also point out that three of the noted transactions were to SOMWBA vendors for purchases which we make annually based on relationships we developed over a long period of time in response to OSD regulations encouraging the use of SOMWBA vendors by Human Service Providers. However, we do agree that there was not sufficient documentation of the process used or the specific conditions of the service purchased. The Agency will properly document in accordance with policy and regulation in the future.

Auditor's Reply

In its response, Bay Cove states that it employed a thoughtful and responsible methodology when procuring the services in question. However, as stated in our report and as acknowledged by the agency in its response, there was inadequate documentation to substantiate this fact or to show that Bay Cove complied with OSD regulations in obtaining these services. We also found that, contrary to best business practices, Bay Cove did not enter into formal written agreements setting forth clearly defined duties and responsibilities with any of the nine contractors that we reviewed.

We acknowledge that OSD encourages the use of vendors certified by SOMWBA (the State Office of Minority and Women's Business Assistance, currently known as the Supplier Diversity Office). However, the selection of any contractor, including certified minority- or woman-owned businesses, should be done in accordance with applicable regulations. Based on its response, Bay Cove is taking measures to address our concerns on this matter.

APPENDIX⁵

Programs Operated by Bay Cove

According to its website,⁶ Bay Cove Human Services, Inc. and Affiliate’s (Bay Cove’s) mission is “to improve the quality of the lives of individuals and their families who face the life-long challenges of developmental disabilities, aging, mental illness and drug and alcohol addiction. . . . by providing effective and compassionate services and through advocacy and leadership.” Bay Cove strives to achieve its mission by providing the following programs:

1. BAY COVE ACADEMY

Bay Cove Academy provides a small, therapeutic day school located in Brookline, Massachusetts with capacity for 35 adolescents, ages 12 – 21, from the Greater Boston area, with a history of emotional and learning difficulties.

2. DEVELOPMENTAL DISABILITIES

Residential Services

Housing supports for approximately 172 individuals with developmental disabilities at more than 25 staffed homes throughout Greater Boston and Southeastern Massachusetts.

Residential Services—Supported Housing

Housing supports for approximately 90 individuals with developmental disabilities at numerous independent apartments. Typically independent housing and apartment service models provide fewer than 24 hours of staffing weekly.

Family Support Services

Supports, including peer supports, for families that have one or more individuals with a developmental disability diagnosis who is living at home. Support services include respite, information and referral, trainings, support groups, management of stipend allocations, parent networking, newsletters, and community connections and resources. Family Support serves an average of 275 families.

Parent Support Services

Peer supports for parents who have children/adolescents with mental health diagnoses and/or behavioral concerns. Supports include groups, consultations, connections to community resources, training, advocacy, educational, and referral services.

⁵ Except where otherwise indicated, text from this appendix is quoted from a document we received from Bay Cove titled “Bay Cove Human Services, Inc. Program and Contract Listing.”

⁶ www.baycove.org

Center House Employment Services (CHES)

CHES supports adults with developmental disabilities with education, skills training, job readiness, and securing and maintaining employment. CHES is comprised of four elements: Education and Training, Work and Education, Center House Enterprises, and Supported Employment. Education & Training and the Work & Education programs provide skill development, social skill development, independence, and community integration. Center House Enterprises provides job readiness, job training, and job placement supports. Supported Employment provides continuing support to individuals working in community jobs. Cumulatively, these program elements serve an average of 60 – 70 individuals per day.

Day Habilitation

Intensive day programming for adults with both severe developmental disabilities and concomitant physical disabilities. Planned, coordinated, goal-orientated activities are designed to improve functional abilities. Services are tailored to help each participant reach his or her optimal level of physical, cognitive, psychosocial, and occupational abilities. Activities include guided movement, art therapy, music therapy, dance therapy, social and life skills classes, health and nutrition classes, cooking group, gross and fine motor activities, and exercise. Day Habilitation has an enrollment capacity of 67 and serves 53 – 60 individuals per day on average.

3. EARLY INTERVENTION

Early Intervention (EI) program serves more than 400 children under three years of age, who are developmentally delayed, or have a known disabling condition, or are at risk of developmental delays. Services include multidisciplinary developmental assessments, in-home developmental play stimulation, developmental play groups, parent education and support services, individual or family therapy, speech, occupational, and physical therapy, and service coordination and advocacy. Alongside and integrated with these services is our Small Wonders Nursery School, providing high-quality early childhood education for children from Dorchester and surrounding communities.

4. KIT CLARK SENIOR SERVICES

Adult Day Health

Kit Clark's Adult Day Health programs provide health and social supports in a group setting for adults over the age of 65 who require nursing treatment or monitoring. Kit Clark's four service sites in Dorchester are multicultural, and two sites are specific to the Vietnamese and Haitian communities. The Kit Clark Memory Loss Program provides a safe, friendly, and supportive environment for people with Alzheimer's disease or other memory loss. Transportation to and from these programs is provided. Cumulatively, the 5 sites serve an average of 150 elders per day. Regular exercise and healthy, balanced meals are essential components of the day program. Recreational opportunities include arts and crafts, creative writing, poetry, art groups, cooking, group discussions and health education. Nurses administer medications, assess and monitor health, and carry out medical and restorative treatments.

Foley Assisted Living and Foley Independent Living

The Foley Senior Residences is an affordable independent and assisted living community that opened in the spring of 2003. Residents are offered the full spectrum of senior living, from independent housing to full assisted living services. Minimum age for residents is 62. The Foley partners with Kit Clark Senior Services in providing services to 49 residents within the community. Services include assistance with personal care, including dressing, grooming, and bathing; in-room tray service during a temporary illness; housekeeping; personal laundry; medication reminders and management; and coordination of health services.

In-Home Care

The Kit Clark In-Home Care program provides supports to more than 500 seniors in their homes. Assistance can include housecleaning and laundry, personal care, meal preparation, and shopping.

Health Center

The Kit Clark / Bowdoin Street Senior Health Center provides seniors with the opportunity to see doctors who specialize in healthcare for older adults. Individuals also receive coordinated care from a team of doctors and social workers. Transportation is available (see below in Private Transportation). The service is a partnership between Kit Clark and Beth Israel Deaconess Medical Center through the Bowdoin Street Health Center and serves more than 300 people per year.

Minority Outreach Services and the Madden Senior Center

The Madden Senior Center offers a wide variety of activities and services designed for seniors 60 years of age and older. The Senior Center offers breakfast and lunch, recreation and fitness, and an array of social opportunities. The Center serves an average 200 elders each year. Based at the Senior Center, Minority Outreach provides cultural and language-specific assistance of several kinds to Vietnamese, Haitian, and Cape Verdean elders in the community. Outreach staff connects elders with community resources and assists them in navigating those services, provides counseling, interpretation, and support groups. The Minority Outreach staff serves more than 900 elders each year.

Fit for Life

This program consists of an evidence-based physical activity and nutrition counseling intervention at Kit Clark Senior Services headquarters: Madden Senior Center. The program provides state-of-the-art coordinated exercise and nutrition services for a low income, multicultural senior population that did not have the opportunity in the past to access mainstream fitness, exercise and nutrition programs. The service is made possible through a partnership between [Kit Clark, Tufts Medical Center, and Tufts Health Plan.] Over 150 seniors are now enrolled in the Fit-4-Life program. The average age of the participants is 71 yrs, and ranges from 60 – 90 yrs.

Massachusetts Housing and Shelter Alliance (MHSA) YMCA and Post Detox

Located at the Boston YMCA on Huntington Ave. and the YMCA in Chelsea, MA, this program provides temporary and transitional services to approximately 80 homeless

adults and assists in securing permanent housing. The program provides emergency and transitional beds and services, case management and referral. The average length of stay is 50 days. An additional 4 beds are set aside for seniors coming from inpatient detox programs, funded by the Post Detox contract. Their average length of stay is 90 days.

Journey to Success

The Journey to Success Housing First program has twenty-two one bedroom scattered-site apartments in Chelsea and Revere. Program funding is provided by the Massachusetts Housing and Shelter Alliance and the Department of Public Health. The program has been housing chronically homeless adults for over 2 years. The program services more than 20 homeless individuals each year.

Congregate Housing

Congregate Housing provides case management services to seniors living in the Harbor Point Senior Building, the Park St. and Talbot supportive housing programs, and the Talbot Bernard and Ditson St. senior independent living apartments. Case Managers outreach to the homeless community, provide housing stabilization to formerly homeless individuals, coordinate medical, mental health, and addiction recovery services, assist elders in navigating social safety net systems, and coordinate social and recreational activities. These sites house 98 individuals.

Executive Office of Elder Affairs (EOEA)

EOEA provides case management services to 9 seniors living in the St. Helena's [and Harbor Point congregate sites]. Case Managers provide housing stabilization to formerly homeless individuals, coordinate medical, mental health, and addiction recovery services, assist elders in navigating social safety net systems, and coordinate social and recreational activities.

Walnut

Walnut provides case management services to 37 seniors living in the Walnut St. congregate housing site. Case Managers provide housing stabilization to formerly homeless individuals, coordinate medical, mental health, and addiction recovery services, assist elders in navigating social safety net systems, and coordinate social and recreational activities.

Homestart

Homestart provides additional case management supports to seniors living in the Talbot supportive housing program. Homestart augments the case management services at that site referenced above in the Congregate Housing programs.

Cardinal Medeiros Center

Kit Clark's Medeiros Center for Change is the first and only day shelter specifically for older adults over the age of 45 in Boston. The shelter serves an average of 100 adults daily. Services include breakfast and lunch, case management, benefit advocacy, nursing clinic services, chiropractic care, substance abuse and mental health counseling and referral, housing information and referral, and social and recreational activities.

Home Repair

The Senior Home Improvement Program (SHIP) provides eligible homeowners with home rehabilitation and repair services including: interest free loans, low cost or no cost home repairs, emergency assistance, security improvement and energy conservation. SHIP is a collaboration with the City of Boston Department of Neighborhood Development. SHIP serves more than 70 seniors over the age of 62 each year.

Homelessness Prevention

Kit Clark assists adults over the age of 45 retain their current housing through rental and utility assistance, in addition to case management and stabilization services. The program serves approximately 100 elders per year.

Public Nutrition

Meals on Wheels are delivered daily Monday through Friday to home-bound seniors living in Dorchester, South Boston, East Boston, Roxbury, Charlestown, North End, Beacon Hill, South End and West End. Frozen weekend and holiday meals as well as supper bags and nutritional supplements are available as needed. Meals are culturally sensitive and specialty meals for elders with diabetes and other chronic medical issues are also provided. Kit Clark employs two Registered Dietitians who are available to customize specialty menus for seniors with unique nutritional needs. Meals may be requested for same day delivery in emergency situations. Meals are also provided at 29 Kit Clark Nutrition Sites located throughout Greater Boston. They serve a nutritious meal daily and most offer organized social activities. The Public Nutrition program provides more than 300,000 meals annually to more than 2,600 seniors.

Private Nutrition

Kit Clark contracts privately with several local schools and social service programs to deliver hot lunches. Approximately 140,000 meals are provided annually.

Private Transportation

Kit Clark provides transportation to and from health center appointments at the Kit Clark / Bowdoin Street Senior Health Center, located at 1500 Dorchester Avenue in Dorchester, the Bowdoin St. Community Health Center, Beth Israel Deaconess Medical Center and elders' homes (see the Health Center description above).

5. MENTAL HEALTH

Community Based Flexible Support (CBFS)

CBFS provides a comprehensive system of supports based on a close partnership between the person served and members of a flexible support team. The flexible support teams consist of licensed clinicians, peer specialists, addiction counselors, rehabilitation and employment specialists and registered nurses. Bay Cove's CBFS serves 1,050 adults living in downtown Boston, South End, Chinatown, South Boston, Dorchester, Roxbury and Mattapan neighborhoods. Supports include, but are not limited to: residential programming, supportive housing services, case management, wellness education and promotion, safety net services, emergency respite, educational and employment supports, and peer supports. In addition, we provide specialized CBFS services which are

centralized and are made available to all of the individuals served by the program. This includes intake and discharge screening, quality management, benefits services, Housing Supports (subsidy management, apartment search, and housing coordination), management of financial supports through Representative Payee services, Human Rights advocacy, and coordination of Guardianship and legal advocacy. Quality improvement, including risk management, is also managed through HUB operations.

Tenancy Preservation Project (Homelessness Prevention)

The Boston Tenancy Preservation Project (TPP) assists individuals and families with disabilities such as mental illness, addiction disorders, or developmental disabilities who are at risk for possible eviction. This program prevents homelessness by helping these people stay in their current housing or by accessing more appropriate housing that better meets their needs. TPP services are offered to those Boston residents who come to the attention of the Boston Housing Court due to serious lease violations that jeopardize their tenancy. TPP serves several hundred clients each year.

Boston Emergency Services Team (BEST)

BEST is a 24-hour emergency services program for people requiring acute psychiatric intervention. Under the direction of the Boston Medical Center, Bay Cove is one of four providers who comprise the BEST service network (along with the Boston Medical Center, Massachusetts General Hospital and North Suffolk Mental Health Association). BEST responds to well over 1,000 "calls" each month from metropolitan Boston, Brookline, Chelsea, Winthrop and Revere, and includes seven hospitals, schools, detoxification programs, jails, community health centers and residences for people with mental illness. The program goal is to keep people who are experiencing a psychiatric crisis out of the hospital, redirecting their care to community based programs like addiction services or family support services. When indicated, our Community Crisis Stabilization Team (CCS) provides people in a psychiatric crisis who do not require hospitalization with a safe and stable place to secure emergency treatment, psychopharmacological assessment, detoxification as needed, and aftercare planning in a brief, three-to-five-day stay at our 20-bed facility.

Outpatient Mental Health Clinic

Bay Cove Human Services operates two mental health outpatient clinics serving adult men and women with mental health and substance abuse issues. The clinic at Kit Clark Senior Services concentrates on treating adults over 50 and is one of the few such specialty clinics in the country. The Michael J. Gill clinic at the Shattuck Hospital works closely with the Goldfarb Ambulatory Care Center at the hospital and therefore ensures optimal integrated health care for persons who are dealing with both major mental illness and medical issues. We provide assessment, psychopharmacology, and individual and group therapy services.

Bay View Inn

The Bay View Inn (BVI) is a Transitional Housing Program that serves individuals who are currently homeless and are diagnosed with a mental illness. Bay View Inn provides secure and safe housing to its residents while they form supportive relationships with the Massachusetts Department of Mental Health (DMH) and Bay Cove's Community Based Flexible Supports (CBFS). The goal is to help individuals to get the help that they need

while we work collaboratively with them in finding more permanent living arrangements. The program has 20 beds. The average length of stay is 6 months.

Community Based Flexible Supports—North Suffolk Subcontract

North Suffolk Mental Health is the lead agency for CBFS services to clients in an adjacent catchment area to Bay Cove's. North Suffolk subcontracts services at 2 sites to Bay Cove, both located at the Lindemann Center in downtown Boston. Staniford House is a forensic locked inpatient residential program, and Harbor House is an unlocked inpatient residential program. Each program houses 12 individuals.

Program for Assertive Community Treatment (PACT)

PACT provides state-of-the-art treatment for individuals with mental illness who are unable to participate in traditional services, often because of severe cognitive challenges, discomfort in social situations, significant addiction to drugs and alcohol, homelessness, and court involvement. In addition to more conventional mental health treatment, assistance is also provided in areas of housing, careers, meaningful relationships, symptom alleviation and accessing medical care. Services are provided primarily in the community rather than the at the program's administrative office site. PACT census is 60 – 80 clients on an average day.

Clubhouses

Bay Cove offers three clubhouses for adults with psychiatric disabilities. Center Club offers a safe and supportive environment in which members can work at their own pace towards rewarding employment, education, decent and affordable housing, a social life, overall well-being and full community integration. Members participate as much as they like, for as long as they like, with staff members working alongside them in a partnership model. Center Club is certified by the International Center for Clubhouse Development (ICCD), a global resource for communities creating solutions for people with mental illness. Casa Primavera is a unique clubhouse specifically designed for Latino men and women living with mental illness. Casa Primavera uses a model based on self-help and active involvement. All members participate in club management, helping to set policies and run the day-to-day programming, which enhances the member's sense of ownership in the program. The Ruby Rogers Center is a member-run organization. The Center is open to anyone in recovery who could benefit from the Center's services. Clubhouses serve more than 800 individuals per year.

Psychiatric Day Treatment

Bay Cove's Center House Day Treatment is an adult psychiatric day treatment program that offers a variety of specialized groups, in a supportive community. Specialized groups focus on Dual Diagnosis, Dialectical Behavioral Therapy (DBT) skills, Post Traumatic Stress Disorder / Trauma Survivor Support, and Independent Living Skills. Day Treatment averages 20 clients per day.

Career Advancement Resources (CAR)

Career Advancement Resources is a supported education and employment program that provides access to jobs, school and training for adults who have a mental illness. All services are designed to help participants regain their sense of self-worth, purpose, and vocational confidence. This is achieved by assisting each participant in becoming

successful and satisfied in the working and learning environments of his or her choice. CAR provides entry into work or educational settings that reflect the goals of the individual participants. Our professional staff prepares participants with all of the tools needed to develop and maintain meaningful careers. In addition, once a client has been placed in a job, ongoing education and job support services are provided to ensure success. The Recovery Learning Center (RLC) utilizes peer to peer supports and provides groups focusing on job skill development, employment, computer skills, and mutual support around other recovery issues. CAR serves 300 – 400 clients per year.

6. ADDICTION SERVICES

Andrew House Detoxification Center

Andrew House Detoxification Center is a sixty bed acute treatment facility which provides medically monitored services to men and women over 18 years old who need detoxification from alcohol, heroin and other opiates. The program specializes in treating people who, in addition to abusing substances, may also be living with mental health disorders, HIV+/AIDS, using more than one substance, or may be receiving methadone maintenance medication. Andrew House sees more than 4,000 individuals each year. The average length of stay is 5 days. The Psychiatric Detox component of the program, funded by DMH, allows Andrew House to accept homeless individuals, many with mental health disorders, which might ordinarily be a barrier to receiving services at other programs in the area.

Bridge to Recovery Detoxification Center (Now Merged with Andrew House)

Bridge to Recovery was a 30 bed detoxification center, as was Andrew House, until July of 2010, when the two programs merged. The two programs were located in adjacent buildings on Long Island in Quincy Harbor.

New Hope Transitional Support Services (TSS)

New Hope is a sixty-bed short-term residential TSS program for substance abusing men and women. The program model is designed to bridge the significant service gap that exists for clients between detoxification and long-term residential or outpatient care. Case management staff ensure that a series of "next steps" treatment options are considered, including residential rehabilitation services (RRS), ambulatory services, narcotic treatment and other transitional care, while they are developing a plan for each client's new life in recovery. This is accomplished through individualized client service planning, referral and support. Client stays range from 2 weeks to 3 months.

Bay Cove Treatment (Methadone) Center

The Bay Cove Treatment Center is an addiction treatment center focusing on opiate addicted clients with specialty programs for pregnant women, dually diagnosed individuals and persons who are HIV positive. The Center provides intensive, seven-day-a-week outpatient treatment to IV drug users. Clients receive medical assessments, daily dosing with methadone medication, weekly individual and group counseling, and comprehensive substance abuse education. Case management and referral services are regularly provided. The Center serves approximately 320 clients.

Charlestown Recovery House

Charlestown Recovery House is a newly constructed state-of-the-art halfway house with beds for 25 men. The Charlestown Recovery House provides residential treatment and recovery within a structured, therapeutic milieu centered on 12 steps and group interaction as well as one-on-one individual counseling. The average length of stay is 6 months.

Chelsea Alcohol and Substance Abuse Program (ASAP) Department of Children and Families (DSS—Formerly Department of Social Services)

Chelsea ASAP provides evaluation, assessment, home visits, crisis intervention and counseling in English and Spanish for approximately 18 DSS-involved families each year. The concepts promoted by the Nurturing Parenting Program emphasize family strengths while minimizing trauma of harming a child's relationship to family members. Within this framework appropriate information is learned by the appropriate family members on child development, stress management, parenting skills, and nurturing approaches to parenting. Bay Cove / Chelsea ASAP staff collaborate with all appropriate internal and community based resources with the goals of safety and permanency for the child as the primary focus.

Chelsea ASAP Outpatient Counseling

Chelsea ASAP provides evaluation, assessment, crisis intervention and counseling in English and Spanish for individuals with drug and alcohol addictions. Chelsea ASAP sees more than 300 clients each year.

Chelsea ASAP Driver Alcohol Education (DAE)

An Alcohol & Substance Abuse Program (ASAP) for persons convicted of driving while under the influence of alcohol. Chelsea ASAP operates a first offender driver alcohol education program in accordance with Massachusetts Statute 24D. Chelsea ASAP also operates a second offender driving program that serves those individuals who have been arrested twice for driving under the influence of alcohol in their lifetime and who have completed a two week second offender inpatient treatment program. Both the first and second offender programs are licensed by the Massachusetts Department of Public Health. Both programs utilize a highly structured curriculum. Chelsea DAE sees more than 200 individuals each year.

Chelsea Youth Leadership Institute

ASAP staff work with six youth who call themselves La Voz de Chelsea. La Voz members have all stated that participation in the Youth Leadership Institute has given them the support they need to stay in high school, empowering them with confidence and skills to change their community and the world. All of La Voz members are committed to a minimum of one year of leadership training in community organizing, public speaking, media relations, social marketing, workshop facilitation, political advocacy, and public policy development. The program utilizes community supports and adult mentoring extensively.

Chelsea ASAP Batterers Intervention

An ASAP to help men and women with a history of violent and controlling behavior toward an Intimate Partner, using a structured 40 week curriculum certified in both English and Spanish. Referrals to the program are made by the Department of Social Services and the courts. Individual perpetrators may also voluntarily enroll in the program. The program is licensed and monitored for adherence to Massachusetts Standards and Guidelines by the Department of Public Health. The program sees more than 250 clients per year.