



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

*Making government work better*

Official Audit Report-Issued February 1, 2013

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## Center of Hope Foundation, Inc.

For the period January 1, 2010 through December 31, 2011



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## **INTRODUCTION AND AUDIT SUMMARY**

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) conducted a performance audit of the Center of Hope Foundation, Inc. (CHF) for the period January 1, 2010 through December 31, 2011. CHF, which is located in Southbridge, was originally founded in 1956 as Southern Worcester County Association for Retarded Citizens, Inc., and adopted its current name in August 2011. This audit was conducted as part of the OSA's ongoing efforts to audit human service contracting activity and to promote accountability and transparency in state contracting.

Based on our audit, we have concluded that CHF maintained adequate internal controls, received and expended funds in accordance with the terms and conditions of its state contracts, properly recorded and reported all revenues and expenses, and complied with all applicable federal and state laws and regulations and its own internal policies and procedures in the areas examined.

## OVERVIEW OF AUDITED ENTITY

The Center of Hope Foundation, Inc., (CHF) was originally founded in 1956 as Southern Worcester County Association for Retarded Citizens, Inc., and adopted its current name in August 2011. CHF's mission is to give consumers with disabilities, and their families, the resources, services, and opportunities necessary to be contributing members of their communities. CHF, which is located in Southbridge, serves consumers from towns in central and western Massachusetts and northern Connecticut.

During our audit period, CHF's programs included shelter workshops, vocational rehabilitation, employment, adult day health and day habilitation programs, and an afterschool program that provides intensive family support as well as specialized and flexible support services for children and adults. CHF has also established several small businesses to provide job training for consumers and, in conjunction with the Department of Housing and Urban Development, established seven residential apartments. Further, CHF has also established Noress Corporation, a for-profit subsidiary packaging company, to provide a work setting where consumers with disabilities can be integrated into the community in a more traditional work environment. In addition to its programs, CHF leases space to the New England Subcontract Services, Inc., a private for-profit packaging corporation established in 1985 by CHF's Executive Director and his wife, and to the Commonwealth's Department of Transitional Assistance and Department of Developmental Services.

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

## Summary of Revenue\*

Revenue Source	Fiscal Year 2010	Fiscal Year 2011
Contributions and Gifts	\$ 5,705	\$ 27,072
Other Grants	127,597	49,097
Department of Developmental Services	2,646,422	3,405,466
MA Rehabilitation Commission	44,220	75,967
Other MA State Agency POS	-	1,248
MA State Agency Non-POS	989,696	1,177,048
MA Local Government/Quasi-Government Entities	89,351	82,653
Non-MA State/Local Government	81,905	43,349
Medicaid - Direct Payments	3,256,052	3,353,565
Client Resources	5,393	-
Private Client Fees (excluding third parties)	97,954	172,424
Commercial Activities	1,994,984	1,638,218
Non-Charitable Revenue	13,822	-
Investment Revenue	242	647
Other Revenue	21,036	12,423
Released Net Assets – Program	-	1,984
Released Net Assets – Equipment	<u>10,700</u>	<u>-</u>
Total Revenues	<u>\$9,385,079</u>	<u>\$10,041,161</u>

\* This information was extracted from the Uniform Financial Statements and Independent Auditor's Reports (UFRs) that CHF filed with the Commonwealth. After we finished our fieldwork, CHF filed its Uniform Financial Statements for fiscal year 2011.

## **AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY**

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we conducted a performance audit of the Center of Hope Foundation, Inc. (CHF) for the period January 1, 2010 through December 31, 2011. The objectives of our audit were to (1) review, evaluate, and analyze controls over state funds and contracts and determine whether those controls are adequate to safeguard state money; (2) review and evaluate state contract and Medicaid funding received by CHF to determine its appropriateness and reasonableness; (3) review and evaluate CHF's compliance with Operational Service Division (OSD) reporting requirements; (4) review and test direct, allocated, and administrative expenditures of CHF to determine whether they were appropriate and reasonable; and (5) review and evaluate transactions between CHF and its affiliates and one related party to determine their appropriateness.

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.

In order to achieve our objectives, we first assessed CHF's internal controls over certain aspects of its operations. The purpose of this assessment was to obtain an understanding of management's attitude, the control environment, and the flow of transactions through CHF's accounting system. We used this assessment in planning and performing our audit tests. We then held discussions with CHF officials and reviewed organization charts and internal policies and procedures, as well as all applicable laws, rules, and regulations. We also examined CHF's financial statements, invoices, and other pertinent financial records and conducted judgmental transaction testing in the identified areas to determine whether the expenses CHF incurred during the audit period were reasonable; allowable; properly authorized and recorded; and in compliance with applicable laws, rules, and regulations.

We obtained revenue and expenditure information from CHF's information systems, compared this information with other source documents, and interviewed knowledgeable CHF officials about this data. We determined that the data was sufficiently reliable for the purposes of this report.

Based on our audit, we have concluded that CHF maintained adequate internal controls, received and expended funds in accordance with the terms and conditions of its state contracts, properly recorded and reported all revenues and expenses, and complied with all applicable federal and state laws and regulations and its own internal policies and procedures in the areas examined.

At the conclusion of our audit, we provided a draft copy of this report to CHF officials for their review and comments. CHF officials did not provide written comments but stated that they agreed with the report's conclusions.