



A. JOSEPH DeNUCCI

AUDITOR

The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819

BOSTON, MASSACHUSETTS 02108

TEL. (617) 727-6200

NO. 2000-4423-3

INDEPENDENT STATE AUDITOR'S REPORT
ON THE ACTIVITIES OF THE
HEALTH AND EDUCATION SERVICES, INC.

OFFICIAL AUDIT
REPORT
JANUARY 25, 2002

TABLE OF CONTENTS/EXECUTIVE SUMMARY

INTRODUCTION

1

Health and Education Services, Inc., (HES) is a private, nonprofit integrated behavioral health network serving 25 communities in the greater North Shore and Merrimack Valley areas. Since July 1995, HES has merged with four North Shore human service organizations. In January 1996, Northern Essex Community Mental Health Services, Inc., (NECMHS) and its affiliate, Harris Street Associates, Inc., (HSA), became subsidiary corporations of HES. As of July 1, 1998, HES assumed operational and financial responsibility for those programs and services previously offered by NECMHS and transitioned them into the HES service delivery system. At the time of the mergers in July 1995, HES also joined the large integrated network of healthcare services under the auspices of Northeast Health Systems, Inc., (NHS). This system of care includes two major hospitals, numerous long-term care providers, visiting nurses services, a number of diagnostic centers and physician practices, and the Center for Addictive Behaviors (CAB) Health & Recovery Services, which provides a full array of substance abuse services.

The purpose of our audit was to examine certain administrative and fiscal activities of HES during the period July 1, 1998 through June 30, 2000. Our objectives were to (1) determine whether HES had established an adequate system of management controls over revenue, expenses, and fixed assets and (2) assess HES's business practices and its compliance with applicable laws, regulations, and policies, as well as the various fiscal and programmatic requirements of its state contracts. Our audit of its financial statements identified \$135,500 in improperly disclosed staff bonuses, inadequate controls over \$183,727 in state fixed assets, excessive charges to a state contract totaling at least \$6,035, and inadequate documentation to substantiate as much as \$86,014 in billings for group counseling services that HES was supposed to provide under a grant it received from the Massachusetts Office of Victim Assistance (MOVA).

AUDIT RESULTS

4

1. NONCOMPLIANCE WITH STATE REGULATIONS RELATIVE TO THE DISCLOSURE OF \$135,500 IN STAFF BONUSES

4

We found that during fiscal year 2000 HES provided salary bonuses totaling \$135,500 to employees. However, contrary to state regulations, HES did not disclose these bonuses as nonreimbursable costs to state contracts in the financial reports that it provided to the state's Operational Services Division (OSD). Further, these bonuses were not made available to HES staff under an established written policy. According to state regulations, fringe benefits such as these that are not disclosed to the appropriate state purchasing agencies and OSD prior to being expensed or that are not available to employees under an established policy of the agency are not allowable and are nonreimbursable under state contracts.

HES officials commented that they did not bill or receive reimbursement from the Commonwealth for the cost of these bonuses and that sufficient funding from other sources were used to cover these costs. Additionally, HES officials indicated that they would establish a written employee morale, health, and welfare policy that would incorporate the distribution of performance bonuses.

2. IMPROVEMENTS NEEDED OVER THE MANAGEMENT AND SAFEGUARDING OF STATE FIXED ASSETS TOTALING \$183,727

7

We found that, contrary to state regulations, HES was not maintaining a complete and accurate inventory of its fixed assets and was not affixing identification tags on all of its assets. Additionally, HES was not performing physical inventories of these assets at least every two years as required by federal regulations. Consequently, there is inadequate assurance that the agency's state fixed assets, which as of June 30, 2000 totaled \$183,727, were being properly safeguarded against loss, theft, and misuse.

Prior to the completion of our audit, HES informed us that all fixed assets purchased by the agency within the past two fiscal years have been tagged, and that all fixed assets purchased with Commonwealth funds prior to the past two fiscal years will be tagged. HES officials also stated that they would establish a written policy and procedure requiring that a physical inventory and reconciliation be conducted at least once every two years.

3. MISCALCULATION OF CLIENT RENTAL FEES RESULTING IN OVERBILLINGS TO THE COMMONWEALTH OF AT LEAST \$6,035

9

We found that, contrary to the terms and conditions of its contract with the state's Department of Mental Health (DMH), HES improperly calculated client rental fees in its Aggressive Treatment and Relapse Prevention (ATARP) program. As a result, HES overbilled DMH by at least \$6,035.

HES management indicated that it was actively recruiting a Program Director for the ATARP program and that policies and procedures for client rental fees had been revised.

4. INADEQUATE CONTROLS OVER GRANT FUNDS RESULTED IN QUESTIONABLE GROUP COUNSELING SERVICES AND BILLINGS TOTALING AS MUCH AS \$86,014

11

Our audit revealed that HES did not establish adequate controls relative to conducting group counseling sessions for family members and friends of homicide victims under the Victim Assistance Grant that it received from MOVA. As a result, HES did not have adequate documentation to substantiate that all of the \$86,014 that it received under this grant during our audit period was used for counseling sessions.

HES officials told us that in response to this matter, the agency's Victims of Crime and Loss (VOCAL) Program Director has taken corrective measures to improve methods of maintaining adequate supporting documentation regarding survivors contacted, group counseling sessions held, and recording program attendance.

Additionally, we received samples of newly developed forms for improved documentation, copies of two published public service announcements, and a poster that contains the “acknowledgement of support” disclosure required under Victim Assistance Grant program guidelines.

INTRODUCTION

Background

Health and Education Services, Inc., (HES) is a private, nonprofit human service organization serving 25 communities in the greater North Shore and Merrimack Valley areas. Since July 1995, HES has merged with four other North Shore human service organizations. In January 1996, Northern Essex Community Mental Health Services, Inc., (NECMHS) and its affiliate, Harris Street Associates, Inc., (HSA) became subsidiary corporations of HES. As of July 1, 1998, HES assumed operational and financial responsibility for those programs and services previously offered by NECMHS and transitioned them into the HES service delivery system. At the time of the mergers, HES also joined the large integrated network of healthcare services under the auspices of Northeast Health Systems, Inc. (NHS). This system of care includes two major hospitals, numerous long-term care providers, visiting nurses services, a number of diagnostic centers and physician practices, and the Center for Addictive Behavior (CAB) Health & Recovery Services, which provides a full array of substance abuse services.

During the period of our audit, HES received funding from various state, local, and private sources as detailed in the table below:

Health and Education Services, Inc.

Summary of Revenue*

Fiscal Years 1999 and 2000

Revenue Source	Fiscal Year 1999	Fiscal Year 2000
Department of Mental Health (DMH)	\$9,203,609	\$9,277,560
Department of Mental Retardation (DMR)	34,781	33,449
Department of Public Health (DPH)	2,287,469	2,095,988
Department of Social Services (DSS)	1,478,474	2,294,885
Department of Youth Services (DYS)	160,814	12,574
Department of Education (DOE)	0	8,859
Office of Child Care Services (OCCS)	35,764	0
Subcontract – Mass Government	209,160	374,302
Grants	917,199	1,833,386

Revenue Source (Continued)	Fiscal Year 1999	Fiscal Year 2000
Donations	81,331	105,383
Third-Party Fees	6,241,410	4,803,391
Medicaid	8,977,634	9,364,617
Medicare	1,290,241	984,675
Client Resources	488,308	210,441
Federal Financial Assistance	1,370,770	1,503,273
Other Unrestricted Revenue	<u>1,149,296</u>	<u>2,499,609</u>
Total Revenue	<u>\$33,926,260</u>	<u>\$35,402,392</u>

*Source: HES's Uniform Financial Statements and Independent Auditor's Reports (UFR).

Audit Scope, Objectives, and Methodology

The scope of our audit was to examine certain administrative and fiscal activities of HES during the period July 1, 1998 to June 30, 2000. However, in some instances it was necessary to extend our examination to prior and subsequent periods. Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and included audit procedures and tests considered necessary to meet these standards.

Our audit objectives consisted of the following:

1. A determination of whether HES has established and implemented adequate and effective management controls, including:
 - Policies and procedures to ensure internal administration and accounting controls over revenues, expenses, and fixed assets; resource use is consistent with laws and regulations; and resources are safeguarded and efficiently used.
 - Processes for planning, organizing, directing, and controlling program operations.
2. An assessment of HES's business practices and its compliance with applicable laws, rules, and regulations as well as the various fiscal and programmatic requirements of its state contracts.

In order to achieve the audit objectives, we first assessed HES's system of management controls over its operations. The purpose of this assessment was to determine management's attitude, the control environment, and the flow of transactions through HES's accounting system. We used this assessment in planning and performing our audit tests. We then held discussions with HES officials and reviewed organizational charts, internal policies and procedures, and all applicable

laws, rules, and regulations. Finally, we examined HES's financial statements, budgets, cost reports, invoices, and other pertinent financial records to determine whether expenses incurred under HES's state contracts were reasonable, allowable, allocable, properly authorized and recorded, and in compliance with all applicable laws, rules, and regulations.

In addition to our regular audit testing, during the conduct of our audit field work representatives from the Massachusetts Office of Victim Assistance (MOVA) informed the Office of the State Auditor that it had received an allegation that HES was not providing group counseling sessions for friends and family members of homicide victims funded by the Victim's Assistance Grant that MOVA provided to HES. As a result, during our audit we conducted specific testing to address this concern.

Our review was not made for the purposes of forming an opinion on HES's financial statements. We also did not assess the overall quality and appropriateness of program services provided by HES under its state-funded contracts. Rather, our report was intended to report findings and conclusions on the extent of HES's compliance with applicable laws, rules, and regulations; the adequacy of its performance; and specific processes, methods, and internal controls that could be made more efficient and effective. Our audit indicated that, except for the issues discussed in the Audit Results section of this report, HES complied with applicable laws, rules, and regulations for the areas reviewed.

AUDIT RESULTS

1. NONCOMPLIANCE WITH STATE REGULATIONS RELATIVE TO THE DISCLOSURE OF \$135,500 IN STAFF BONUSES

We found that, contrary to state regulations, during fiscal year 2000 Health and Education Services, Inc., (HES) provided salary bonuses totaling \$135,500 to employees without disclosing these bonuses as nonreimbursable costs to state contracts in the financial reports that it provided to the state's Operational Services Division (OSD). Further, these bonuses were not made available to HES staff under an established written policy. According to state regulations, such fringe benefits that are not disclosed to the appropriate state purchasing agencies and OSD prior to being expensed and are not available to employees under an established policy are not allowable and are nonreimbursable under state contracts.

OSD, the agency responsible for regulating and overseeing the activities of contracted service providers such as HES, promulgated regulations that define certain expenses that are unallowable and nonreimbursable under state contracts. Specifically, 808 Code of Massachusetts Regulations (CMR) 1.05 (9) clearly states that costs that are not available to all employees under an established policy are nonreimbursable under state contracts. Further, OSD's Uniform Financial Statements and Independent Auditor's Report (UFR) Auditor's Compliance Supplement is used by auditing firms that conduct audits of contracted service providers such as HES. Regarding the provision of staff bonuses, this supplement provides the following guidance:

There are two ways to furnish bonuses to employees: one is a fixed bonus as part of an employee's salary based on terms incorporated into his or her written employment agreement, and the second is through a Contractor's written employee morale, health and welfare policy, which makes available bonuses to all employees based on exceptional performance. . . Employee bonuses. . . that are incurred as part of an established practice and custom for the improvement of working conditions, employer-employee relations, employee morale and employee performance may be allowable, or considered reasonable, as follows:

- The provider's employee morale, health and welfare activities must be incorporated into the provider's written policies and the activities must have been expected and must not have been disapproved by the purchasing agency or [OSD]. . . . Prior notice of the expected activities must be furnished to the purchasing agency or [OSD]. . . through the program proposal review process,*

award or renewal of the contract, through the program price approval process, or by separate notification prior to the expense being incurred...

- *Providers that utilize a purchase of service contract for contracting with the Commonwealth must include the costs associated with the employee morale, health and welfare activities as budgeted Administrative Support, Direct Care or Occupancy costs in Attachment B. Fiscal Conditions/Program Budget of the purchase-of-service contract.*

The costs associated with the employee morale, health and welfare activities must be adequately supported through written documentation.

During our audit we determined that in December 1999, HES distributed salary bonuses totaling \$135,500 to employees. However, we found that, contrary to OSD guidelines, HES did not have an established employee morale, health and welfare policy in place at the time of the awarded performance bonuses. As previously noted, without an established employee morale, health, and welfare policy in place, bonus costs are considered nonreimbursable by the state.

OSD requires human service providers such as HES to file annual UFRs with the division. According to OSD guidelines for filing UFRs, all nonreimbursable costs are to be presented on an organization's UFR under Schedule B-1 (Itemized Nonreimbursable Costs) and Schedule B (Supplemental Expense Schedule). Specifically, OSD's *UFR Audit and Preparation Manual* states:

The existence of nonreimbursable costs, as contained in 808 CMR 1.15 (effective 2/1/97, 808 CMR 1.05) and OMB Circular A-122, must be disclosed on lines 43, 44 and the nonreimbursable administration portion in line 44a in each program as applicable (nonreimbursable costs and [sic] must be disclosed and itemized in Subsidiary Schedule B-1). Social Services contract and agreement reimbursements and federal assistance may not be used to defray nonreimbursable costs. Nonreimbursable costs that exist and have not been disclosed are presumed to have been defrayed using Commonwealth and Federal funds. . .

We determined, however, that HES did not properly report the \$135,500 in bonuses on its fiscal year 2000 UFR as nonreimbursable costs.

Regarding this matter, HES officials stated that they were not aware of the regulations regarding the reporting of bonuses in the UFR, but admitted that they were aware of the requirement to establish an OSD-approved bonus policy in order for these bonuses to be

reimbursed by the Commonwealth. However, they stated that they did not bill or receive reimbursement from the Commonwealth for the cost of these bonuses, and in fact, had sufficient funding from other sources that were used to cover these costs. Finally, HES officials indicated that they would establish a written employee morale, health, and welfare policy that would incorporate the distribution of performance bonuses.

During our audit we found no indication that HES billed its state contracts directly for the cost of these bonuses, and in fact the agency had sufficient revenues from other sources to cover this \$135,000 expense. However, since HES did not indicate in its UFR for fiscal year 2000 what non-state funds, if any, were used to pay for these bonuses, as previously noted under OSD guidelines, nonreimbursable costs that exist and have not been disclosed are presumed to have been defrayed using state funds. Also, HES did not notify OSD or its principal state-purchasing agency about these bonuses.

Recommendation

In the future, if HES wants to provide bonuses to its staff members, it should establish a formal written employee morale, health, and welfare policy that is consistent with OSD guidelines and is approved by its Board of Directors and should notify its state purchasing agencies and OSD in advance of such expenses. If such policies are not established, HES should ensure that it properly discloses any salary bonuses as nonreimbursable costs in its UFRs. Finally, HES's principal state purchasing agency, the Department of Mental Health (DMH), should conduct its own review of the \$135,500 in bonus expenses allocated against state contracts on HES's fiscal year 2000 UFR and should determine what actions (e.g., amending the agency's fiscal year 2000 UFR) are necessary to resolve this matter.

Auditee's Response

In response to this audit result, HES officials provided the following comments:

Although we agree with everything outlined in this section, there lingers a hint that these bonuses may have, in some way, been paid with state contract monies even though they are a non-reimbursable expense. HES has established, during the course of the audit and per your discussion in the detail section of this report, that we had more than sufficient non-public resources to cover the cost and, in no case,

charged the expense to state contracts. Relative to your recommendation and per the direction of the HES Board of Directors, we have in fact established a formal written employee personnel policy that is consistent with OSD. In the future, we will get approval from our PPA or disclose the expense as unallowable on the UFR.

Auditor's Reply

Based on its response, HES has taken measures to ensure that in the future any staff bonuses are provided in a measure consistent with OSD guidelines. However, we again recommend that HES's principal state purchasing agency, DMH, should conduct its own review of the \$135,500 in bonus expenses allocated against state contracts on HES's fiscal year 2000 UFR and should determine what actions (e.g., amending the agency's fiscal year 2000 UFR) are necessary to resolve this matter.

2. IMPROVEMENTS NEEDED OVER THE MANAGEMENT AND SAFEGUARDING OF STATE FIXED ASSETS TOTALING \$183,727

We found that, contrary to state regulations, HES was not maintaining a complete and accurate inventory of its fixed assets, nor was it affixing identification tags on all of its assets. Additionally, HES was not performing physical inventories of these assets at least every two years as required by federal regulations. Consequently, there is inadequate assurance that HES's state fixed assets, which as of June 30, 2000 totaled \$183,727, were being properly safeguarded against loss, theft, and misuse.

Regarding the inventory of furnishings and equipment items, OSD regulation 808 CMR 1.04 (5) states, in part:

Any Contractor in possession of Capital Items, as defined in 808 CMR 1.02 shall label, maintain and keep on file a written inventory of the property in accordance with generally accepted accounting principles.

Further, the Office of Management and Budget (OMB) Circular A-110, with which HES must comply, states:

A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown by accounting records shall be investigated to determine the cause of the difference. The recipient shall, in

connection with the inventory, verify the existence, current utilization, and continued need for equipment.

Finally, HES's own policies and procedures state that:

- *Assets are defined as goods having a unit cost in excess of \$500 and an expected useful life of more than one year.*
- *Each asset must have a unique identifying number and tag.*
- *Assets purchased with federal and/or state funds used by HES during the contract period will be tagged as HES assets but will be separately identified within the fixed-asset ledger.*

Despite these requirements, we found that although HES's inventory listing included a general description of each furnishing and equipment item and respective acquisition date, cost, funding source, useful life, depreciation method, current depreciation expense, accumulated depreciation, and net book value, it lacked asset identification numbers and asset locations. The listing also did not indicate a date when the last physical inventory of these assets was conducted. Also, during our audit, we examined a sample of furnishings and equipment items and noted that none of the items in our sample were tagged with an identification label. This lack of identification tags prevented many of the furnishing and equipment items in our sample from being located. As a result of these problems, both HES and the Commonwealth cannot be assured that all state fixed assets are being properly safeguarded against loss, theft, and misuse.

Regarding this matter, HES officials indicated that they were not aware of the federal requirement that a physical inventory and reconciliation be conducted at least once every two years. However, prior to the completion of our audit, HES informed us that all of its fixed assets purchased by the agency within the past two fiscal years have been tagged and that all fixed assets purchased with Commonwealth funds prior to the past two fiscal years will be tagged. Finally, HES officials stated that they would establish a written policy and procedure requiring that a physical inventory and reconciliation be conducted at least once every two years.

Recommendation

HES should establish a fixed-asset inventory system that is consistent with applicable state and federal requirements. Further, HES should complete a physical inventory and continue its efforts to identify and tag each fixed asset. Every tagged asset should then be reconciled to the fixed asset inventory listing, which should include the asset tag number, the asset location, and the date of the physical inventory.

Auditee's Response

In response to this audit result, HES officials provided the following comments:

Once again, we agree with your finding; however, as mentioned in the detail section, HES did in fact accomplish the physical inventory and tagging of assets before the audit was completed.

Auditor's Reply

HES has taken measures to address our concerns relative to the tagging of assets and conducting a physical inventory of these assets. However, we again recommend that HES establish a fixed-asset inventory system that is consistent with applicable state and federal requirements.

3. MISCALCULATION OF CLIENT RENTAL FEES RESULTING IN OVERBILLINGS TO THE COMMONWEALTH OF AT LEAST \$6,035

We found that, contrary to the terms and conditions of its contract with DMH, HES improperly calculated client rental fees in its Aggressive Treatment and Relapse Prevention Program (ATARP), which resulted in the Commonwealth being overbilled by at least \$6,035.

During fiscal years 1999 and 2000, DMH awarded HES a cost reimbursement contract with a maximum annual obligation of \$189,662 and \$174,628, respectively, to operate its ATARP program. Under the terms and conditions of this contract, HES was to provide residential outreach and supported housing to consumers who have a dual diagnosis of both a serious mental illness and substance abuse. In addition, consumers in this program must be homeless and committed to sobriety. The goals of the program are for the consumers to obtain permanent housing, live independently in the community, experience increased and

eventual total abstinence, and reduce their institutionalization levels for the treatment of mental illness or substance abuse.

In order to participate in this program, consumers are required to pay 30% of their total gross income towards their rent. These funds are to be used by HES to offset the amount of funding DMH was to provide for this purpose under this contract. Specifically, this contract states, in part, “this contract will include funds for rental subsidies for program participants to enable participants to pay no more than 30% of their income towards rent.”

During our audit we reviewed the documentation being maintained by HES, including the case files of all 10 consumers who received services in this program during fiscal years 1999 and 2000. Based on our review, we found that, for at least six of the 10 (60%) consumers, HES incorrectly assessed their rental fees at 30% of the rental cost of their housing rather than 30% of their total gross income. This miscalculation resulted in an undercharge to six consumers and an overcharge to the Commonwealth totaling \$6,035. Because of the lack of documentation in the remaining four consumer files, it could not be determined whether HES had properly assessed rental fees to these consumers.

Regarding these matters, HES’s Vice President of Community Support Services attributed high program staff turnover and the lack of a Program Director as causes for the deficiencies noted. As a result of our audit, HES management indicated that it was actively recruiting a Program Director for the ATARP program and that policies and procedures for client rental fees had been revised, as follows:

- *The client pays 30% of their income for rent and the program pays the additional balance. Program staff verifies a client's income prior to calculating the rent. The client's representative payee is responsible for making the payment.*
- *Clients who refuse to provide verification of income will be responsible for paying the entire amount of their rent.*
- *Prior to entering the program, clients are informed of how the rent is calculated. It is expected that clients pay rent on the first of each month.*

Recommendation

DMH should recover from HES the \$6,035 in overbillings charged to the Commonwealth for client rental fees. Further, DMH should conduct its own review of the client rental fees collected for the periods prior and subsequent to those covered by our review and take whatever measures the agency deems necessary to resolve any additional overbillings. Finally, HES should ensure that adequate controls relative to the assessment and collection of rental fees in its ATARP program are properly implemented and adhered to.

Auditee's Response

In response to this audit result, HES officials provided the following comments:

We agree that there was a miscalculation in determining client rental fees in the ATARP program. During the course of the audit we implemented policies regarding the calculation of fees and established controls to ensure adherence to the policies. Relative to DMH recovering money from HES, it is our opinion that it is inappropriate because HES spent substantially more in the ATARP program than the state contract funded. Had the rental fee calculation error been recognized at the time, a simple routine contract amendment to substitute another expense for the reduction in client rental fees would have been made.

Auditor's Reply

Based on its response, HES has taken measures to improve the internal controls over the assessment and collection of rental fees in its ATARP program. However, again we recommend that DMH recover from HES the \$6,035 in overbillings charged to the Commonwealth for client rental fees. Further, DMH should conduct its own review of the client rental fees collected for the periods prior and subsequent to those covered by our review and take whatever measures the agency deems necessary to resolve any additional overbillings.

4. INADEQUATE CONTROLS OVER GRANT FUNDS RESULTED IN QUESTIONABLE GROUP COUNSELING SERVICES AND BILLINGS TOTALING AS MUCH AS \$86,014

Our audit revealed that HES did not establish adequate controls relative to conducting group counseling sessions for family members and friends of homicide victims under the Victim Assistance Grant that the agency received from the Massachusetts Office of Victim Assistance (MOVA). As a result, HES did not have adequate documentation to substantiate

that all of the \$86,014 that HES received under this grant during our audit period was used for counseling sessions.

HES's Victims of Crime and Loss (VOCAL) program provides comprehensive services to victims of crime in Southern Essex County. VOCAL is funded through a Victim Assistance Grant awarded by the Massachusetts Victim and Witness Assistance Board through MOVA, which receives these funds under the Federal Victims of Crime Act (VOCA).

During fiscal years 1999 and 2000, MOVA provided HES's VOCAL program with \$169,487 and \$174,527, respectively, in grant funds for the following five priority groups: Child Abuse, Domestic Violence, Sexual Assault, Survivors of Homicide Victims, and Other Victims. Our review was limited solely to funding provided under these grants for the Survivors of Homicide Victims, which totaled \$42,371 and \$43,643, respectively, for fiscal years 1999 and 2000. The Survivors of Homicide Victims group was to be composed of individual as well as group counseling services for the families and friends of homicide victims. The grant did not specify how much of the funding would be for either type of service.

During our audit, MOVA officials contacted the Office of the State Auditor (OSA) regarding concerns MOVA had over HES activities under this grant. Specifically, MOVA officials were concerned that HES had not conducted any group counseling sessions for the survivors of homicide victims for many years. Based on this concern, during our fieldwork we reviewed all of the documentation being maintained by HES relative to the grants during our audit period. Regarding the maintenance of documentation, Massachusetts Victim Assistance Grant Program Guidelines, Section V-D2, state, in part:

All VOCA recipients must keep appropriate programmatic and financial records that fully disclose the amount and disposition of VOCA funds received. This includes... client files... and other records, which would facilitate an effective audit.

We asked HES officials to provide us with all of the documentation the agency was maintaining relative to the group counseling sessions for survivors of homicide victims that it held during the period July 1, 1998 through August 1, 2000. HES officials told us that during this two-year period, the agency initiated the Lynn Homicide Survivor Group

(LHSG) for survivors of homicide victims in Lynn, which consisted of 31 group counseling sessions. However, the VOCAL Program Director stated that HES does not have any formal documentation relative to the LHSG. Although HES does not maintain formal written records of when these group counseling sessions were held and who attended these sessions, the VOCAL Program Director provided us with other records, including a narrative describing the homicide survivor services that HES provides, a list of dates that the LHSG met, copies of appointment books indicating that a group counseling session was scheduled on a particular date and the first initial of the individuals who purportedly attended, and copies of travel vouchers disclosing the clinician's travel to Lynn, where the group sessions were scheduled. Further, we were given payroll records, billings to MOVA, copies of outreach material with mailing lists, copies of telephone logs for incoming and outgoing calls to homicide survivors, and a letter from a client who declined to participate in group sessions.

Our review of this documentation indicated that it did not adequately support the fact that group counseling sessions for homicide survivors were actually conducted as required by the MOVA grant during our audit period. For example, the appointment books provided by HES indicated that a counseling session was scheduled but did not specifically state it was a group counseling session for homicide survivors. Also, payroll records that HES provided to us for those staff members who purportedly conducted these group counseling sessions did not indicate the staff person's arrival or departure time or a description of the scope of work performed. Rather, they only indicated the number of hours these individuals worked each day. Further, our analysis revealed that dates of travel reported on travel vouchers of the HES staff that purportedly conducted these group counseling sessions did not match dates on which these group sessions were purportedly held. As a result of these inconsistencies and lack of adequate supporting documentation, we question the reliability and adequacy of the information provided.

Regarding these matters, the VOCAL Program Director indicated that it is very difficult to persuade clients to attend group counseling sessions, as most victims prefer individual counseling sessions. The Program Director also stated that MOVA was kept informed of

the difficulties HES was experiencing in conducting group counseling sessions and that HES had not conducted any groups sessions between 1996 and 1999, except for the Lynn group mentioned above.

Our review also determined that, contrary to the Victim Assistance Grant program guidelines, HES did not include a footnote or a disclosure of acknowledgement of support on any of its publicized materials. Specifically, these program guidelines state, in part:

All materials publicizing or resulting from grant activities produced by a VOCA funded program (e.g., publications, flyers, pamphlets, advertisements, press releases and notifications) must contain an acknowledgement of grant agency assistance. An acknowledgement of support shall be made through use of the following or comparable footnote: "This project was supported by the Massachusetts Office for Victim Assistance through a Victims of Crime Act of 1984 (VOCA) grant from the Office for Victims of Crime, Office of Justice Programs, U.S. Department of Justice."

The Program Director indicated that she was unaware of the aforementioned grant requirements.

As a result of our review, the VOCAL Program Director has taken corrective measures to improve methods of maintaining adequate supporting documentation regarding survivors contacted, group counseling sessions held, and recording program attendance. In addition, we were provided with samples of newly developed forms, which include a free care group policy, group therapy progress notes, client information, group session logs, and a form acknowledging that services were offered but refused. We also received copies of two public service announcements that were published and a poster that contained the proper "acknowledgement of support" disclosure.

On February 2, 2001, MOVA's Executive Director sent a letter to HES's President. This letter describes the following measures agreed to by MOVA and HES relative to the resolution of this matter:

The Board voted at its last meeting to settle the outstanding issues for the repayment of homicide group services not rendered and the discrepancy about the start date for the fiscal year 2001 service contract according to the following terms:

1. *The \$21,934.44 withheld for the last quarter of fiscal year 2000 will be . . . retained by MOVA as partial repayment for services not provided for the six year period;*
2. *The start date for the fiscal year 2001 service contract is approved as of December 1, 2000, and no invoices will be accepted for reimbursement prior to that start date;*
3. *The remaining amount owed for homicide group services not rendered will be offset against the other services provided in fiscal year 2001 which were performed before the approved start date and will be attributed as final payment owed to MOVA for these services not rendered in prior years;*
4. *The homicide group services funded in previous years and proposed again in the application for fiscal year 2001 are not approved and the total amount of the service contract for fiscal year 2001 will reflect that deduction accordingly;*
5. *No program income will be allowed on the budget for the service contract for fiscal year 2001, and hours for VOCA funded clinicians must be clearly documented and dedicated toward the provision of free services to victims and survivors (i.e., not reimbursed by any third party billing). . . .*
6. *HES will be subject to monthly monitoring by MOVA for the remainder of the current grant cycle (June 30, 2003) or until such point that MOVA determines monthly monitoring is no longer necessary. The requirements of the monthly monitoring will include, but not be limited to, regular site visits and the submission of monthly financial reports with backup documentation for approved expenditures;*
7. *The specifics of the budget for fiscal year 2001 must be renegotiated by HES with . . . MOVA's VOCA Program Manager, from what was originally put forth in the fiscal year 2001 application in order to reflect the following changes: clarification of allowable and non-allowable expenditures, the deduction for homicides group services, the specific dedication of VOCA funded personnel, corrections for any duplication of services between VOCA and other state funding sources, the disapproval of any program income, and the reallocation of certain administrative costs related to the grant;*
8. *The program timetables and narratives for services to be provided from fiscal year 2001 must be redrafted by HES and approved by MOVA to accurately reflect the program changes described in this letter;*
9. *All VOCA funded services must be advertised as free of charge to victims, survivors, and the victim services community;*
10. *Any subsequent changes in the approved terms for the VOCA contract and the services outlined in the program narrative and timetables must be further approved in writing by MOVA;*

11. *These terms are considered final and are not subject to further negotiation on the part of HESI, and any departure from them could result in the immediate termination of the service contract.*

Recommendation

We recommend that HES, in compliance with the Massachusetts Victim Assistance Grant Program Guidelines, take the necessary measures to utilize the grant funding provided by MOVA for the VOCAL program towards conducting group counseling sessions for the survivors of homicide victims. Such counseling sessions must be adequately documented as being held and their records properly maintained for future reference. VOCAL should also ensure that survivors of homicide victims are contacted regularly to comply with its mission of providing counseling services to those that would benefit.

Auditee's Response

In response to this audit result, HES provided the following comments:

We agree with the finding and during the course of the audit, we completely revised our procedures around the documenting of counseling sessions and controls were established to ensure policy adherence.

Auditor's Reply

Based on its response, HES has taken measures to address our concerns relative to this matter.