



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

*Making government work better*

Official Audit Report – Issued January 11, 2018

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## The Key Program Incorporated

For the period July 1, 2013 through June 30, 2016





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

*Making government work better*

January 11, 2018

Mr. Edward D. Feldstein, Chair  
The Key Program Incorporated  
670 Old Connecticut Path  
Framingham, MA 01701

Dear Mr. Feldstein:

I am pleased to provide this performance audit of The Key Program Incorporated. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2013 through June 30, 2016. My audit staff discussed the contents of this report with management of the agency.

I would also like to express my appreciation to The Key Program Incorporated for the cooperation and assistance provided to my staff during the audit.

Sincerely,

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

Suzanne M. Bump  
Auditor of the Commonwealth

cc: William Lyttle, President

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## **EXECUTIVE SUMMARY**

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of The Key Program Incorporated for the period July 1, 2013 through June 30, 2016. The purpose of this audit was to determine whether Key was using its Massachusetts revenue and surpluses only for Massachusetts programs and was properly allocating its administrative expenses between its Massachusetts and Rhode Island operations. 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.

Our audit revealed no significant instances of noncompliance by Key that must be reported under generally accepted government auditing standards in the areas covered by our audit objective.

## OVERVIEW OF AUDITED ENTITY

The Key Program Incorporated, headquartered in Framingham, is a private, nonprofit human-service corporation that, according to its website, was established “to assist troubled youth and their families with developing positive life skills and life experiences so that they may pursue productive and rewarding lives.” The organization was originally incorporated in 1974 as Community Advancement Program, Inc.; it adopted its current name in 1977.<sup>1</sup> It provides services in 19 locations in Massachusetts and 3 locations in Rhode Island. Key had more than \$33 million in total revenue in each of the fiscal years covered by our audit, and it employed an average of 419 full-time employees across the two states during our audit period. The Commonwealth of Massachusetts is Key’s principal source of revenue. According to Key’s audited financial statements, Massachusetts provided 92% of Key’s revenue in fiscal year 2014, 81% in fiscal year 2015, and 89% in fiscal year 2016. Key’s operations are overseen by an eight-member board of directors that includes the corporation’s president and treasurer as well as six independent directors. One of the independent members is the board’s chair.

During our audit period, Key received revenue from the following sources.

### Annual Revenue Sources by Fiscal Year\*

	2014	2015	2016
<b>Department of Children and Families</b>	\$ 20,802,065	\$ 22,463,154	\$22,957,079
<b>Department of Youth Services</b>	4,911,410	4,935,620	4,858,473
<b>Medicaid</b>	1,986,375	1,682,575	1,438,724
<b>Other</b>	7,060,474	5,335,066	4,211,308
<b>Total</b>	<u>\$ 34,760,324</u>	<u>\$ 34,416,415</u>	<u>\$33,465,584</u>

\* Key’s fiscal year ends on June 30.

Key offers both residential and nonresidential programs. Residential programs provide shelter, education, counseling, and life-skills training to juvenile offenders, truants, runaways, and abused or neglected children and young adults. Nonresidential programs provide care to clients while they live with parents or guardians, in foster homes, or independently. The services provided in these programs

1. In 1995, Key established another Massachusetts nonprofit corporation, called the Alternatives for Youth Foundation, Inc. (AYF). According to AYF’s articles of organization, its purposes include “providing funding for [Key], establishing and funding programs to benefit past and present clients . . . and providing grants to other charitable, tax-exempt organizations whose purposes are consistent with [Key’s].” AYF has the same board of directors as Key. Key’s annual Uniform Financial Statement and Independent Auditor’s Report filed with the state’s Operational Services Division includes the financial activity of AYF.

include consultation, advocacy, education, recreation, mental-health care, and trauma care (see Appendix). Key operates from locations in Massachusetts and Rhode Island. Because it operates similar programs in both states, costs are allocated to programs based on activities related specifically to each state.

## AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of The Key Program Incorporated for the period July 1, 2013 through June 30, 2016.

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

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

Objective	Conclusion
1. Did Key use the Commonwealth's resources exclusively for Massachusetts programs?	Yes
2. Did Key allocate the correct amounts of administrative and indirect costs to its Massachusetts and out-of-state programs?	Yes

To achieve our audit objectives, we gained an understanding of the internal controls we determined to be relevant to those objectives and tested the controls' operating effectiveness over revenue, direct expense documentation, and allocation of administrative and indirect expenses.

In addition, we performed the following procedures:

- We selected 10 out of 83 staff training expenses incurred by Key during our audit period that were charged to Massachusetts programs and evaluated them to ensure that they were properly documented and were posted to the correct programs. We also reviewed personnel files to verify that the assigned work locations and home addresses of Key employees who attended these training sessions were in Massachusetts. We performed similar tests for 20 out of 196 charges to Key's Rhode Island programs. The combined amounts reviewed in both tests totaled \$31,015 out of \$796,647 in staff training expenses.
- We reviewed 20 out of 186 travel expenses, totaling \$3,986 out of \$1,787,049, paid by Key during the audit period and reviewed them for mathematical accuracy, purpose of travel, and coding to the proper program.

- We selected 20 out of 206 disbursements for temporary help (nurses, case workers and social workers, and trainers) made to Massachusetts programs and 5 out of 48 made to Rhode Island programs. We reviewed timesheets for hours worked, worker signatures, work locations, and signatures of supervisors assigned to those locations. We reviewed the supervisors' personnel records to determine whether they were assigned to the corresponding work locations and to determine their home addresses.
- We reviewed a sample of 21 out of 103 billings Key submitted to the Commonwealth and compared client names on the invoices to records maintained by Massachusetts that indicated who was to receive services in the corresponding programs. We examined the invoices for proper coding and posting and examined copies of checks Key received in payment for services it provided. We performed a similar procedure for a sample of 12 out of 99 billings from Rhode Island programs.
- We analyzed Key's accounting records to determine whether losses from its Rhode Island programs were charged to its Massachusetts programs or whether other non-Massachusetts state contract funds were available to cover these losses.
- We selected two monthly administrative cost-allocation worksheets from each fiscal year of the audit period and compared the amounts on these worksheets with Key's accounting records. We also assessed the method Key used to allocate its administrative and indirect costs to its programs to make sure that this method was allowable and that the allocations were correctly calculated.

To assess the reliability of the data obtained, we interviewed Key's chief financial officer regarding access controls, authorized users, system crashes, and backup policies. We also counted hard copies of all invoices for various expense categories and traced them back to the general ledger to verify the completeness of the accounting data. We then traced nine approved and paid invoices back to the general ledger and nine general ledger disbursements back to invoices and canceled checks. Our testing showed that the data generated by the accounting system were sufficiently reliable for the purposes of this audit.

We used nonstatistical judgmental sampling to select our samples and therefore did not project the results of our audit tests to the total populations.



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## APPENDIX

### The Key Program Incorporated Residential and Non-Residential Programs

The following details about services provided by The Key Program Incorporated were excerpted from the corporation's website.

#### Residential

##### Residential Treatment

*Residential Treatment is provided in small, community-based settings. . . . Length of stay ranges from three months to 18 months. . . . Services include family work, pro-social life skills training, education, assessment, counseling and recreation.*

##### Shelter Care

*Shelter Care programs are provided to youth who are runaways, truants, and/or abused or neglected. Placement may last up to 90 days. Located in a community setting, the goal is to have the youth return to a stable home setting.*

##### Juvenile Justice

*Specific to Juvenile Justice work, Key operates group homes and detention programs for female and male offenders and a federally funded overnight alternative lock-up facility for youths making a court appearance.*

##### Managed Care

*Key provides Managed Care functions for the Massachusetts child welfare population.*

##### Semi-Independent Living

*The Semi-Independent Living Program provides life skills development and permanency planning for adolescent females between the ages of 16–18. . . . The core components are preparation for adulthood through skill assessment and skill building.*

#### Non-Residential

##### Outreach & Tracking

*Designed to assist youth and families in remaining in their community by providing a strength-based assessment, intensive wraparound, and a flexible array of in-home and community based services.*

### **Enhanced Family Outreach**

*Combines all the components of our Outreach & Tracking model with a formalized clinical component that provides in-home treatment and consultation.*

### **Community Re-entry Center**

*Based in a local neighborhood where juvenile offenders are required to report regularly to the center. Participants are involved in a structured program of life skills, family work, education, counseling, and recreation.*

### **Mental Health Clinics**

*Key offers a full array of mental health services. Individual, group and family counseling, medication reviews, testing, and case counseling are offered in the home or at the youth's placement location.*

### **Children's Charter**

*Specializes in out-patient trauma services to children and families. Services are focused on individuals who have experienced/witnessed domestic violence or who have been victims of sexual, physical and/or emotional abuse.*