



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

Making government work better

Official Audit Report – Issued February 9, 2016

Work Opportunity Center, Inc.

For the period July 1, 2013 through June 30, 2014





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Making government work better

February 9, 2016

Mr. Steven J. Robinson, President
Board of Directors
Work Opportunity Center, Inc.
1094 Suffield Street
Agawam, MA 01001

Dear Mr. Robinson:

I am pleased to provide this performance audit of Work Opportunity Center, Inc. This report details the audit objectives, scope, methodology, finding, and recommendation for the audit period, July 1, 2013 through June 30, 2014. My audit staff discussed the contents of this report with management of the organization, whose comments we considered in drafting this report.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

CMR	Code of Massachusetts Regulations
OSA	Office of the State Auditor
OSD	Operational Services Division
WOC	Work Opportunity Center, Inc.

EXECUTIVE SUMMARY

Work Opportunity Center, Inc. (WOC) is a not-for-profit corporation that provides vocational training and employment services for developmentally disabled persons. WOC's total revenue for fiscal year 2014 was \$2,442,697, of which \$1,856,329 was from state contracts, primarily with the Department of Developmental Services.

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 certain activities of WOC for the period July 1, 2013 through June 30, 2014. The purpose of this audit was to assess whether WOC's board of directors was constituted, and performed various oversight functions, in a manner that was consistent with applicable regulations, contractual terms and conditions, and other guidance. This audit was conducted as part of OSA's ongoing efforts to audit human-service contract activity by state agencies and to promote accountability, transparency, and cost effectiveness in state contracting.

Below is a summary of our finding and recommendation, with links to each page listed.

Finding 1 Page 5	WOC's board of directors did not review the executive director's performance or set his compensation with a formal board vote.
Recommendation Page 5	WOC's board of directors should resume the practice of annually reviewing the executive director's performance and should set his or her compensation annually with a formal board vote.

OVERVIEW OF AUDITED ENTITY

Work Opportunity Center, Inc. (WOC), located in Agawam, was formed in 1969 and incorporated as a Massachusetts not-for-profit corporation in 1974. WOC's total revenue for fiscal year 2014 was \$2,442,697, of which \$1,856,329 was from state contracts, primarily with the Department of Developmental Services. Through its facilities in Agawam and Springfield, WOC provides vocational training and employment services for developmentally disabled persons.

Each fiscal year, state agencies purchase more than \$2 billion in services from private human-service organizations that are governed by boards of directors. The board of directors of a human-service provider is the primary organizational body that ensures that the provider meets its operational objectives in the most effective and efficient manner. Board members perform a variety of key fiduciary functions for organizations, including overseeing overall operation; setting policies and procedures to ensure that objectives are met; hiring and evaluating the top executive; and ensuring compliance with established laws, regulations, policies and procedures, and contractual obligations. According to WOC bylaws, its board members serve for a term of three years and there are to be no fewer than 9 and no more than 21 members. As of June 30, 2014, WOC had 8 board members and was in the process of searching for 1 more.

Guidance for operations of boards of directors is found in various sources, including Section 6A of Chapter 180 of the Massachusetts General Laws, commonly referred to as the Public Charities Law; the Massachusetts Office of the Attorney General's Guide for Board Members of Charitable Organizations; the state's Commonwealth Terms and Conditions for Human and Social Services; Title 808 of the Code of Massachusetts Regulations; and the Operational Services Division's UFR¹ Auditor's Compliance Supplement and UFR Audit & Preparation Manual.

1. Each year, agencies that operate social programs and contract with various Commonwealth departments must prepare financial statements called Uniform Financial Statements and Independent Auditor's Reports, or UFRs, and file them electronically with the Operational Services Division.

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 Work Opportunity Center, Inc. for the period July 1, 2013 through June 30, 2014.

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; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Does the organization comply with the Commonwealth Terms and Conditions for Human and Social Services, which prohibit management personnel and their immediate families from composing more than 30% of the voting members of the board?	Yes
2. Has the board complied with the Commonwealth Terms and Conditions for Human and Social Services pertaining to the organization's top executive by conducting an annual performance review and setting that person's compensation by formal vote?	No; see Finding 1
3. If certain fringe benefits or bonuses were awarded, did the board comply with Operational Services Division (OSD) provisions found in the UFR Auditor's Compliance Supplement that is issued pursuant to Title 1.00 of Section 808 of the Code of Massachusetts Regulations (CMR)?	Yes

We determined that internal controls over the following areas were relevant to our audit objectives, and we assessed those controls:

- compliance with the Commonwealth Terms and Conditions for Human and Social Services regarding board composition and executive performance reviews and compensation
- compliance with OSD guidance on fringe benefits and bonuses

To accomplish our objectives, we identified and reviewed applicable laws, rules, and regulations pertinent to our audit objectives, including regulations published by OSD's Division of Purchased Services (808 CMR) and the Commonwealth's Terms and Conditions for Human and Social Services.

We also performed the following activities:

- interviewing key officials
- reviewing the board of directors' meeting minutes
- obtaining and reviewing the organization chart
- reviewing organization audit reports prepared by independent public accountants
- making inquiries regarding additional compensation provided to the top executive and whether any additional fringe benefits or bonuses were paid
- obtaining any specific policies or procedures pertinent to the board of directors and the definition of a quorum
- requesting any top executives' annual performance reviews
- obtaining a copy of the Internal Revenue Service Form W-2 for the top executive

Since the documents we obtained to support our findings and conclusions were hard copies, we did not need to address the reliability of electronically processed data.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Work Opportunity Center, Inc.'s board of directors did not review the executive director's performance or set his compensation with a formal board vote.

The board of directors of Work Opportunity Center, Inc. (WOC) did not evaluate the executive director's performance during the audit period or set his annual compensation with a formal board vote. As a result, there is no documentation to substantiate that his performance during the audit period was acceptable or that the compensation he received during this period was appropriate.

Authoritative Guidance

According to Section 11(a) of the Commonwealth Terms and Conditions for Human and Social Services, the board of directors must "annually review its executive director's or other more senior manager's performance and set that person's compensation by formal vote."

Reasons for Noncompliance

The executive director told us that the board had performed annual reviews of the executive director's performance in the past, but could not explain when or why this evaluation process was discontinued.

Recommendation

WOC's board of directors should resume the practice of annually reviewing the executive director's performance and should set his or her compensation annually with a formal board vote.

Auditee's Response

The chair of the board of directors provided the following response:

The board will resume the process of conducting a formalized annual review of the executive director during fiscal year 2016. The board would also like to emphasize that, although a formal evaluation was not documented, it was aware of and did informally evaluate the executive director's performance taking into account a number of factors including financial factors from the annual audits as well as programmatic factors from high scores on [Department of Developmental Services] licensing reviews.

APPENDIX

Work Opportunity Center, Inc. Board of Directors for Fiscal Year 2014

Officers

Steven J. Robinson (President)

Diane Quaglino (Vice President)

Virginia Starzic (Secretary/Clerk)

Steven Kravetz (Treasurer)

Members

Lionel Gemme

Richard Hanchett

James Moran

Denise Smith