



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

Making government work better

Official Audit Report – Issued January 29, 2015

Alternative Supports Inc.

For the period July 1, 2011 through June 30, 2014





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January 29, 2015

Ms. Gail Alam, Chair
Board of Directors
Alternative Supports Inc.
77 Rumford Avenue, Suite 1
Waltham, MA 02453

Dear Chairwoman Alam:

I am pleased to provide this performance audit of Alternative Supports Inc. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2011 through June 30, 2014. My audit staff discussed the contents of this report with management of the agency.

I would also like to express my appreciation to Alternative Supports 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

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1
OVERVIEW OF AUDITED ENTITY 2
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY 3

EXECUTIVE SUMMARY

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 Alternative Supports Inc. (Alternative Supports) for the period July 1, 2011 through June 30, 2014. The purpose of our audit was to determine whether Alternative Supports complied with laws, regulations, and contract requirements pertinent to its state contracts. Alternative Supports is a human-services agency located in Waltham, Massachusetts, that serves individuals with intellectual disabilities, autism spectrum disorders, and psychiatric conditions. In the course of our audit, we did not identify any significant deficiencies in the areas reviewed.

OVERVIEW OF AUDITED ENTITY

Alternative Supports Inc. (Alternative Supports) is located in Waltham, Massachusetts, and was incorporated on June 4, 1976 under Chapter 180 of the Massachusetts General Laws as a not-for-profit human-services agency. It was formed for the purpose of providing residential and day support services to individuals with intellectual disabilities, autism spectrum disorders, and psychiatric conditions. According to its mission statement, Alternative Supports was established “to provide training, recreation, work experience and day and residential supports to individuals with mental and behavioral challenges.” As of June 30, 2014, Alternative Supports reported employing 137 full-time-equivalent employees.

During fiscal years 2012, 2013, and 2014, Alternative Supports received revenue from the following sources:

Summary of Revenue

Revenue Source	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Department of Developmental Services	\$5,808,919	\$5,827,892	\$6,247,255
Department of Mental Health	27,413	27,413	27,411
Other Massachusetts State Agency Purchase of Services	181,209	222,962	200,756
Client Resource and Private Client Fees	505,319	534,154	537,714
Government In-Kind/Capital Budget*	120,466	47,000	57,497
Contributions, Gifts, Legacies, and Bequests	9,289	1,450	3,035
Investment Revenue	26	18	14
Other Revenue	13,281	2,936	23,023
Total Assistance and Fees	<u>\$6,665,922</u>	<u>\$6,663,825</u>	<u>\$7,096,705</u>

* The Commonwealth’s Operational Services Division, in its “UFR Audit & Preparation Manual,” defines government in-kind/capital revenue as “the imputed revenue value of donated goods and personal services.”

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 Alternative Supports Inc. (Alternative Supports) for the period July 1, 2011 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. Were expenses that Alternative Supports charged against its state contracts reasonable and allowable?	Yes
2. Did Alternative Supports follow applicable laws and regulations and its own policies and procedures for contract administration?	Yes
3. Did Alternative Supports' board of directors provide adequate oversight of agency operations?	Yes
4. Did Alternative Supports provide appropriate control over client fund accounts?	Yes

We determined that internal controls over the following areas were relevant to our audit objectives:

- expenses
- contract administration
- board governance
- client fund accounts

Our audit confirmed that Alternative Supports has established internal control policies and procedures that provide reasonable assurance that organizational objectives and compliance obligations are met

and associated risks, such as those for fraud, waste, and abuse, are minimized. For the reviewed areas related to our audit objectives, we did not identify any significant deficiencies warranting attention by those responsible for governance.

To accomplish our objectives, we performed the following activities:

- We conducted a survey to obtain an understanding of the types of programs Alternative Supports operates and performed a risk analysis to identify areas for potential further analysis.
- We examined financial records, both electronic and hardcopy, including pertinent source documents and the Uniform Financial Statements and Independent Auditor's Reports that Alternative Supports is required to file, and has filed, with the Commonwealth's Operational Services Division (OSD) annually.
- 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 Code of Massachusetts Regulations) and the Commonwealth's Terms and Conditions for Human and Social Services.
- We reviewed board meeting minutes, organizational charts, policies and procedures, and internal financial reports.
- We determined the reliability of data from Alternative Supports' electronic accounting system by tracing certain electronic transactions to original source documents as well as performing other electronic tests of records and making relevant inquiries of the management personnel responsible for data reliability. We determined that the data from the system were sufficiently reliable for the purposes of our audit.
- We selected certain transactions for further examination, primarily by using a judgmental sample selection, to determine whether they were adequately supported, reasonable, allowable, and allocable to state contracts. Since these samples were judgmentally selected, we did not project the sample results to the total population. We used judgmental samples because that was a better way to assess the relative materiality of various costs and to evaluate the relative risks that some of these costs might not comply with existing regulations.

We also reviewed audit reports prepared by independent public accountants as well as oversight agency monitoring reports. At the conclusion of our audit fieldwork, we provided a copy of our draft audit report to Alternative Supports' executive director and the chair of its board of directors for review and comment.