



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

*Making government work better*

Official Audit Report – Issued September 24, 2015

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## Residential Support Services, Inc.

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





Commonwealth of Massachusetts  
Office of the State Auditor  
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*Making government work better*

September 24, 2015

Ms. Jeanne M. McHallam, Chair  
Board of Directors  
Residential Support Services, Inc.  
70 Bridge Street  
Newton, MA 02458

Dear Chairwoman McHallam:

I am pleased to provide this performance audit of Residential Support Services, Inc. This report details the audit objectives, scope, methodology, and conclusion 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 Residential Support Services, Inc. for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written in a cursive style.

Suzanne M. Bump  
Auditor of the Commonwealth

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## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	1
OVERVIEW OF AUDITED ENTITY.....	2
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY .....	3
CONCLUSION .....	5
APPENDIX .....	6

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## **LIST OF ABBREVIATIONS**

CMR	Code of Massachusetts Regulations
OSA	Office of the State Auditor
OSD	Operational Services Division
RSSI	Residential Support Services, Inc.

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## **EXECUTIVE SUMMARY**

Residential Support Services, Inc. (RSSI) is a not-for-profit organization that provides assisted- and supported-living services to the elderly. RSSI's total revenue for fiscal year 2014 was \$2,130,947, of which \$348,144 was from state contracts, primarily with the Department of Mental Health.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of RSSI for the period July 1, 2013 through June 30, 2014. The purpose of this audit was to assess whether RSSI's board of directors was constituted, and performed various oversight functions, in a manner 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.

Our audit revealed no significant instances of noncompliance that must be reported under generally accepted government auditing standards.

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## OVERVIEW OF AUDITED ENTITY

Residential Support Services, Inc. (RSSI), located in Newton, Massachusetts, was formed in 1999 and incorporated as a Massachusetts not-for-profit corporation in 2000. RSSI's total revenue for fiscal year 2014 was \$2,130,947, of which \$348,144 was from state contracts, primarily with the Department of Mental Health. RSSI provides services to elderly residents of Chelsea and Spencer.

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 RSSI bylaws, board members serve for a term of one year and there are to be no fewer than two members. As of June 30, 2014, RSSI had eight board members.

Guidance for operations of boards of directors is found in various sources, including Chapter 180, Section 6A, 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 UFR<sup>1</sup> Auditor's Compliance Supplement and UFR Audit & Preparation Manual.

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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.

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## 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 Residential Support Services, 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 and the conclusion we reached regarding each objective.

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?	Yes
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 808 Code of Massachusetts Regulations (CMR) 1.00?	NA

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

- 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

We assessed the relevant controls identified above.

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
- obtaining copies of 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.



## **CONCLUSION**

For the areas reviewed that were related to our audit objectives, we did not identify any significant deficiencies warranting attention by those responsible for governance and state oversight agencies. Specifically, management personnel and their immediate families did not compose more than 30% of Residential Support Services, Inc.'s (RSSI's) board of directors, and the board reviewed the president's performance and voted to increase his salary during the audit period. Further, the level of other compensation provided to the president and charged to state contracts was within the limits prescribed by state regulations and was properly reported by the organization.

## **APPENDIX**

### **Residential Support Services, Inc. Fiscal Year 2014 Board of Directors**

#### **Officers**

Jeanne M. McHallam (Chair)

Joseph J. Spadea (Clerk)

Joyce R. Gair (Treasurer)

#### **Members**

Sheldon D. Bycoff

Vincent P. Cloutier

Paul J. Lemieux

Newton H. Levee

Robert S. Manasse