



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

Making government work better

Official Audit Report – Issued October 8, 2015

George H. and Irene L. Walker Home for Children

For the period July 1, 2012 through June 30, 2014





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October 8, 2015

Ms. Susan M. Getman, President and CEO
George H. and Irene L. Walker Home for Children
1198 Central Avenue
Needham, MA 02492

Dear Ms. Getman:

I am pleased to provide this performance audit of the George H. and Irene L. Walker Home for Children. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2012 through June 30, 2014. My audit staff discussed the contents of this report with management of the organization.

I would also like to express my appreciation to the George H. and Irene L. Walker Home for Children 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 stamp.

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

CMR	Code of Massachusetts Regulations
OSD	Operational Services Division
UFR	Uniform Financial Statement and Independent Auditor's Report
Walker	George H. and Irene L. Walker Home for Children

EXECUTIVE SUMMARY

The George H. and Irene L. Walker Home for Children (Walker) is a not-for-profit special-education and behavioral-health organization offering educational and clinical services for children and their families.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of Walker for the period July 1, 2012 through June 30, 2014. We reviewed Walker's activities to determine its compliance with applicable laws, regulations, policies, and procedures, as well as the terms and conditions of its state contracts, in the areas reviewed.

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

OVERVIEW OF AUDITED ENTITY

The George H. and Irene L. Walker Home for Children (Walker) is a not-for-profit special-education and behavioral-health organization in Needham, Massachusetts. According to its website, Walker offers educational and clinical services for “children and youth who are facing complex emotional, behavioral, and learning challenges.”

Based on a trust established in 1952 “for the care of children,” Walker was the state’s first convalescent home for children with long-term illnesses. According to its website, Walker has since evolved “from a small residential school for boys into a wide network of facilities and professionals dedicated to providing world-class mental health services, state-of-the-art special education, expert training and professional development, and child welfare advocacy.”

During our audit period, Walker received state funding primarily from contracts with the Department of Mental Health and the Department of Children and Families. Walker’s revenue from all sources for fiscal years 2013 and 2014 was as follows:

Revenue Source	Fiscal Year 2013	Fiscal Year 2014
Department of Mental Health	\$ 1,359,800	\$ 1,025,867
Department of Children and Families	2,594,202	3,356,896
Local Government Reimbursements	9,348,899	9,574,345
Medicaid	1,557,986	1,697,752
Commercial Activities	2,621,379	1,655,509
Contributions	1,303,516	1,385,743
Private Client	630,843	647,938
Restricted Revenue	183,013	481,938
Other	979,602	976,927
Total Revenue	<u>\$20,579,240</u>	<u>\$20,802,915</u>

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 the George H. and Irene L. Walker Home for Children (Walker) for the period July 1, 2012 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. Were all state contracts and amendments properly monitored by state oversight agencies and properly authorized and approved?	Yes
2. Did payments for contracted services comply with the regulations promulgated by the state's Operational Services Division (OSD) and with state contract terms?	Yes
3. Were reimbursable costs allocated to programs in accordance with OSD regulations?	Yes
4. Were Walker's operating and administrative expenses in accordance with OSD regulations and state contract terms?	Yes
5. Were related-party transactions appropriate and disclosed in compliance with applicable OSD regulations and state contract terms?	Yes
6. Did the board of directors govern Walker's operations in compliance with board bylaws and the Attorney General's Guide for Board Members of Charitable Organizations?	Yes
7. Did Walker maintain its surplus revenue in accordance with 808 Code of Massachusetts Regulations (CMR) 1.03?	Yes

To achieve our objectives, we gained an understanding of the internal controls we deemed significant to our audit objectives and evaluated the design and effectiveness of those controls. To assess the reliability of the data, we performed a data-reliability assessment of Walker's principal accounting software. We determined that the data were sufficiently reliable for the purposes of our report.

Whenever sampling was used, we applied a non-statistical approach, and as a result, we were not able to project our results to the population.

In addition, we performed the following audit procedures:

- We reviewed, and obtained an understanding of, laws, regulations, policies, procedures, and contract terms related to our audit objectives.
- We reviewed Walker's bylaws and interviewed various management officials and a member of the board of directors about oversight of Walker's activities.
- We reviewed all board minutes and reports provided to the board by Walker management during our audit period.
- We interviewed Walker's vice president of finance, business manager, and accounting staff to gain an understanding of Walker's accounting processes.
- We reviewed Walker's Uniform Financial Statements and Independent Auditor's Reports (UFRs) and audited financial statements prepared during our audit period.
- We reconciled amounts reported by Walker in its fiscal year 2013 and 2014 UFRs to amounts in its records and audited financial statements.
- We reviewed 6 of the 24 operating bank account reconciliations performed during our audit period in support of general-ledger balances and amounts reported in Walker's UFRs.
- We conducted testing to determine whether related-party transactions, if any, were appropriate and properly disclosed in accordance with 808 CMR 1.04(4) and 808 CMR 1.05(8).
- We reviewed 60 out of approximately 33,000 biweekly payroll transactions from our audit period for appropriate approvals. We also reviewed officers' and managers' compensation during our audit period to determine whether amounts paid were within the range allowed by 808 CMR 1.05.
- We reviewed reports completed by oversight agencies, as well as internal documentation, to determine whether Walker's programs were properly monitored.
- We reviewed Walker's methods of allocating costs between programs for reasonableness.
- We reviewed documentation related to the competitive-bidding process for all contracts over \$10,000.
- From a population of 2,279 general and administrative expenditures reimbursed under Walker's largest state contract, we selected a random sample of 47 expenditures to review for appropriate approvals and to determine whether expenditures were accurately documented in Walker's general ledger and compliant with 808 CMR 1.00.
- From a population of 166 credit-card expenditures charged to state programs during our audit period, we selected a random sample of 40 expenditures to review for appropriate approvals and

to determine whether expenditures were accurately documented in Walker's general ledger and were compliant with 808 CMR 1.00. From the same population, we also selected a judgmental sample of the three largest credit-card expenditures and conducted a similar review.

- We reviewed Walker's surplus-revenue calculation for compliance with 808 CMR 1.03(7).