

Response of the Board of Directors of Talbot House
April 16, 2012

Background

The Board of Directors of Talbot House is comprised of community volunteers, committed to the Mission of Talbot House as a *“vibrant, caring, innovative and healing community created by individuals participating in long-term recovery from addictions through self-discovery and growth in a life-giving environment of faith, hope and courage”*.

The current members of the Board include:

Norman Connors
Dr. Anne Frances D’Intino
Dr. Ian Doyle
Jeannie Eyking
Dr. John Gainer (Chair)
Jim Gogan
Jim Kehoe
Irene Khattar
Dr. Kelly Knickle
Jim MacLellan

The Nova Scotia Department of Community Services indicated that the organizational review of Talbot House was initiated solely, and in direct response, to a letter of complaint from a former resident of Talbot House, received from the Nova Scotia Department of Health and Wellness. The report states that in “response to receiving this letter, DCS and the Board agreed that DCS would carry out an organizational review”. In fact, in correspondence to the Department of Community Services, dated December 19, 2011, the Board expressed puzzlement and concern that a formal organizational review would be conducted in response to a complaint that had not yet been properly investigated and remained fully unsubstantiated. Further, the Board expressed concern that the organizational review could not properly address the allegations and complaints and requested that the Nova Scotia Department of Community Services conduct a fully independent review or provide the Board with sufficient information to allow for a proper and timely investigation, based on principles of natural justice and accepted Human Resource standards. To date, the Board has never received a formal complaint against The Executive Director.

Despite the fundamental disagreement in principle between the Board and the Nova Scotia Department of Community Services regarding the rationale for the organizational review and the handling of the

allegations against the Executive Director and staff of Talbot House, the Board pledged full cooperation with the organizational review process.

During the course of the organizational review, the Nova Scotia Department of Community Services advised the Board (February 2, 2012) that they had received additional reports of complaints and allegations against the Executive Director, including allegations of inappropriate sexual behavior by the Executive Director in his relationships with residents of Talbot House.

The Nova Scotia Department of Community Services indicated that it would not investigate these allegations and would not provide the Board with requested information regarding the specific complaints or allegations. Despite the fact that the Department of Community Service had directly received report of the allegations and possessed relevant information of which the Board had no knowledge, the Board of Directors was strongly advised by the Department of Community Services to contact the police regarding this matter. The Board was advised that the Department of Community Services would contact the police if the Board did not. The Board informed the Chief of the Cape Breton Regional Police Service on February 13, 2012 and provided contact information for the Department of Community Services staff member that had reported to allegations to the Board.

Although the information to the Board was second-hand allegation and innuendo, the nature and potential seriousness of the allegations, as well as the Board's primary responsibility to the residents of Talbot House, compelled the Board to place the Executive Director on leave from his duties until the matter could be properly investigated (February 2, 2012). The Board established an interim plan (February 3, 2012) for the continuation of day-to-day operations and programming for the residents of Talbot House who were there at the time.

The Board of Directors requested additional funding (February 14, 2012, February 28, 2012) from the Department of Community Services to support the incremental staffing costs associated with the interim plan and was assured (February 15, 2012, February 29, 2012) that the Nova Scotia Department of Community Services was "willing to provide additional financial support to assist TH in meeting these costs".

On March 5, 2012, the interim Executive Director provided the Board with a two-hour notice of his intention to resign his position and leave Talbot House.

The Nova Scotia Department of Community Services and the Cape Breton District Health Authority, Mental Health and Addiction Services, were immediately contacted and indicated that neither were able to provide immediate full-time replacement staff. The Board evaluated the available options and, based on a balance of risk to the residents, decided to arrange for their discharge from Talbot House. With the assistance of Talbot House staff, the staff and administration of the Cape Breton District Health Authority's Mental Health and Addiction Services, and the Nova Scotia Department of Community Services, residents were safely and efficiently discharged over an approximate 10-day period.

The Board did not intend, or consider this to be, the closure of Talbot House, but rather a temporary measure that would allow for the completion of the review, consideration of recommendations and

joint planning with the Nova Scotia Department of Community Services to establishing appropriate staffing and renew full programming.

The Report

The Board of Directors of Talbot House received a copy of the report Talbot House Organizational Review: April 2012, with an appendix of "Suggestions", from the Nova Scotia Department of Community Services on April 4, 2012.

The details of the report are presented as a series of "bulleted" items, many without context, elaboration or analysis. The report fundamentally challenges the competence and integrity of the Board of Directors, the Executive Director and staff of Talbot House. The report concludes that "Talbot House is not operating in compliance with the majority of the Standards for Recovery Houses" and that "there is no evidence that the Board has been actively overseeing the operation of Talbot House".

It is the opinion of the Board that the review was fundamentally flawed in process and analysis, procedurally inadequate, lacked balance, and contributed to a report that contained numerous inaccuracies and misrepresentations that, by their nature, are prejudicial, biased and misrepresent the history, governance and operation of Talbot House. The report often offers opinion as fact, without apparent effort to seek independent verification. Although the Board of Directors acknowledges that Talbot House has not been in full compliance with the Nova Scotia Department of Community Service's Standards for Recovery Houses established in 2008, there is ample evidence that the Board was addressing these policy issues in a systematic fashion. The Department of Community Service's decision to not renew the Service Agreement is considered to have been pre-emptive and unnecessarily punitive.

Corrections and Clarifications

Although there is an array of "bulleted" observations and comments in the report, some relatively inconsequential, the Board of Directors believes that a number of substantive corrections and clarifications are required.

Finances

Reporting

The Service Agreement dated September 1, 2011, with the Nova Scotia Department of Community Services, provides under Financial Reporting:

7.02 The Organization shall provide at a minimum the annual financial statements tabled at the Annual General Meeting of the Board of Directors by the Treasurer.

7.03 The Department reserves the right to require that these financial statements be prepared by a licensed public accountant. The particulars of the engagement with the licenses public accountant (audit, review or compilation) will depend upon the amount

and particulars of the Department's funding and will be the subject of separate communication.

The Board is not aware of any "separate communication" requiring that the statements be anything other than the "Notice to Reader" provided. The Notice to Reader statements were prepared by the accounting firm of Grant Thornton.

Budget

- The report stated that there was no annual budget. An annual budget was prepared at the commencement of each fiscal year. Prior to the execution of the recent services agreement, Talbot House was required to provide a copy of the budget to the Provincial Government for purposes of securing funding for the next fiscal year. Attached is a copy of Schedule "B" entitled "Budget Submission Form" outlining the budget for the period April 1, 2011, to March 31, 2012, as provided to the Department of Community Services on September 1, 2011.
- The report states that financial statements were not signed by the Board of Directors. The financial statements provided by Grant Thornton were signed. A copy was retained by them.
- The report states that prior to March 31, 2010, fiscal year, Talbot House had accumulated the surplus of \$109,741.00. During the 2009/2010 fiscal year, they had an operating deficit of \$33,338.00, which reduced the accumulated surplus to \$76,403.00. Of this amount, \$33,327.00 was liquid and could be used in operations.

This is factually correct. There was no single factor which led to the operating surplus. Fluctuation in our revenues was often a result of donations made to the organization. It is very difficult to budget these on an annual basis. Consequently, there was often a variance to the budget due to this line item.

- The report states that the depreciation schedule and accumulated depreciation of property and equipment in the 2010 financial statements show that over \$96,000.00 in operating funds were spent on capital assets.

This is not factually correct. The financial statements of the Society indicate that certain items were "capitalized" as an appropriate accounting treatment, in the total amount of \$96,763.00. These items were purchased over a number of years. These purchases were made out of general revenues of the Corporation. There was no expressed restriction placed on the use of general revenues other than grants. In 2010, there was \$28,621.00 of revenue other than grants. In 2011, this amount was \$35,680.00. It was the general practice of the Society to receive donations and bequests. Surplus of these funds was used as required to acquire capital assets.

The report references Article 5.04 of the Service Agreement: "The Organization agrees that no payments made under this Agreement shall be used for capital expenditures, meaning expenditures to acquire or upgrade the Organization's land, buildings and fixtures." The Nova

Scotia Department of Community Services is suggesting that there has been an appropriation of Provincial funding for purposes of acquisition of capital assets. This is not correct. The financial statements for the period ending March 31, 2011, show an excess of expenditures over revenues of \$25,289.00. Of this amount, there is a non-cash item - depreciation, recorded in the amount of \$18,555.00. Therefore, adjusted to a cash basis, the excess of operating expenditures over revenues was \$6,734.00 against a total revenue budget of \$459,000.00 (1.4%). Capital items are not expensed but are capitalized and recorded on the balance sheet. Adjusted for non-cash items, this calculation demonstrates that in fiscal 2011, all funds, including those funds raised privately by the Society, were used in operations and not for capital expenditures.

Similarly, in the fiscal year ending 2010, the excess of expenditure over revenues was \$33,338.00. Adjusting for the non-cash item of depreciation (\$22,855.00) the actual operating expenditures in excess of revenues was \$10,483.00 (2.2%). Further evidence that no Provincial grant revenues were used in either of those two fiscal years for the acquisition of capital items.

- The report states that it is not sound financial practice to use current assets (cash) to purchase long term assets as it affects the organization's working capital.

Talbot House operated within its financial capacity throughout all of the years under review. Determination of the specific use of the funds was made in consultation with the Board. At no time was the working capital position of the Society placed in any jeopardy through these acquisitions.

- The report states that Talbot House is in a negative cash flow position as of March 31, 2011, due to the decision to purchase long term assets with current assets (cash).

The working capital deficit of Talbot House as of March 31, 2011, was \$3,742.00. This working capital deficit was primarily due to the timing of funds. April 1st of each fiscal year, Talbot House received its quarterly allocation grant from the Nova Scotia Department of Community Services. This immaterial working capital deficiency reflects the zero based budgeting process that Talbot House employed (each fiscal year Talbot House would budget for a zero balance). Accordingly, on any given year at year end, the working capital balance would vary slightly. As evidence, at March 31, 2010, Talbot House had a working capital surplus of \$2,992.00.

Human Resource Policy

- The Board of Directors identified the need for HR expertise and recruited an individual with extensive HR and organizational experience to develop the HR Policies for Talbot House. He joined the Board in January 2011. A plan was approved by the Board to develop a core set of HR Policies during 2011 and provide the necessary education, training and resources to implement the first phase of the HR Policies in 2012.

- The report states that the ED and staff do not have job descriptions (“staff indicated that despite the lack of job formal descriptions, they work well together and assume duties as required to insure the residents needs are met”), Fundamentally this provides evidence that actual “work” was getting done and that the purpose of the existence of all positions at Talbot House has been the care of the residents. The Board agrees that job descriptions would be useful, but their absence has not impeded the operations at Talbot House.
- The report states that the ED and staff did not have performance appraisals. The Board agrees that regular performance appraisals are a fundamental requirement for staff professional development, for providing recognition of performance and organizational improvement. The Executive Director provided regular formal reports to the Board that were considered by the Board to be one mechanism of performance review. The Executive Director also provided the Board with regular appraisals and recommendations regarding the staff. The minutes of the Board meetings reflect discussion of this issue and work toward policy development.
- The report states that there are no organizational policies to define how staff receive training funds and identified a staff member who received financial support from Talbot House for his university education. The Board agrees that a policy to deal with this matter is necessary. An organization needs to ensure there is an equitable opportunity for all staff to be considered for any available professional development funding. Fundamentally, paying for courses, or providing other types of support for staff, is not an uncommon practice. The critical element is to ensure the investment provides a legitimate return to the organization. In the case cited in the report, the employee was enrolled in a Bachelor of Social Work program, which is clearly aligned with his role at Talbot House, and would support appropriate succession planning.
- The report states that the ED and staff do not have personnel file. Personnel files are a necessary as part of any administrative arm of an organization. This policy was included in the HR policy implementation plan.
- The report states that there was no formal orientation of staff. Talbot House has not hired a new staff members in 6 years. The need for such a policy was identified, and had been approved by the Board in the Phase I HR plan.
- Overall, the issues identified in the report related to HR policy development and implementation constituted an important part of the Board’s recent work for Talbot House. Whatever policy or implementation gaps may have existed in this area, did not substantially interfere with the day-to-day operations of Talbot House or constitute any exposure to risk for the residents. Talbot House has been operating for more than 50 years. The added rigor applied to the operation as a result of these polices would definitely improve the operations, but that improvement would be incremental, not transformational.
- The Board has approved polices concerning Occupational Health and Safety, Hiring , and Corrective Discipline that were not referenced in the report.

Program

- The report states that “stakeholders stated that Talbot House is not viewed as a service on the continuum of addiction services in Cape Breton. At the time of the review, ten of the twelve residents at Talbot House were receiving active treatment through the Cape Breton District Health Authority’s Mental health and Addiction Services. At the time of their discharge, every resident had an assigned clinical therapist with the Cape Breton District Health Authority’s Mental Health and Addiction Services. On an organizational level, the Executive Director was a member of the Cape Breton District Health Authority’s Addictions Advisory Committee, a committee of the Health Authority’s Board of Directors.
- The report states that the program “does not address men’s needs in a holistic manner ... e.g. parenting, family reunification, redefining identity beyond addiction”. The Board of Directors, Executive Director and the Director of Mental Health Services and Addictions have worked deliberately to establish closer working relationships and facilitate ease of access to Mental Health and Addiction Services for the residents, in direct service of a holistic approach to care.

Discharge of Residents

- The report states that “On February 15th, 2012, DCS offered to provide additional funding to back fill any necessary positions at TH to insure that adequate staffing was maintained and to mitigate potential disruption in services for the residents. The Board did not act on this offer ...”. In fact, the correspondence from the Department of Community Services dated February 15, 2012 states that “further to our telephone conversation of February 15th, which followed from your letter dated February 14, 2012 making various requests of the Department of Community Services, I would like to confirm that the department will provide any reasonable financial support ...” The abrupt resignation of the interim Executive Director compelled other action and it is misrepresentative to suggest that the Board was not primarily responsible for the welfare of the residents and did not take the initiative to secure appropriate funding.

Summary and Recommendations

The Board of Directors of Talbot House accepts its full fiduciary duties and acknowledges that the policies and operations of Talbot House were not in full compliance with the Nova Scotia Department of Community Service’s Standards for Recovery Houses (2008) at the time of the organizational review. However, there is ample evidence that the Board was working responsibly to establish compliance.

The Nova Scotia Department of Community Services has provided continuous funding to Talbot House since the publication of the Standards document in 2008 and has provided no additional information, oversight or guidance that would have indicated that Talbot House was in jeopardy of losing funding.

The decision of the Nova Scotia Department of Community Services to not renew the Service Agreement and funding came unannounced and, as previously stated, is considered to be pre-emptive and punitive. Establishing a reasonable probationary period, with measurable outcomes and appropriate financial and

consultative support would have been a more appropriate response and would have better served the existing and future residents of Talbot House.

The refusal or inability of the Nova Scotia Department of Community Services to provide the Board of Directors with sufficient information to resolve the matter related to the allegations against the Executive Director caused unnecessary delay and, in the opinion of the Board, was directly responsible for the cascade of events and decisions that compelled the Board to ultimately discharge the residents. The report suggests that the Board's decision to discharge the resident was the result of a failure to "act" on an offer of interim funding. This is factually incorrect. The Board did request interim funding support. However, at the time of the departure of the interim Executive Director, the immediate needs, supervision and safety of the residents required immediate and appropriate staffing support that the Nova Scotia Department of Community Services could not provide. The decision of the Board to discharge the residents reflected adherence to its primary duty.

The Board of Directors does not accept the summary conclusions of the report and offers the following recommendations:

1. To delay the intended posting of the report on the Nova Scotia Department of Community Service website until the inaccuracies and conclusions of the report can be reviewed and revised, or
2. Post the Board of Director's response to the report on the government website.
3. Establish an independent review of the report and its findings. The review should evaluate:
 - a. The rationale of initiating a formal organizational review in response to an allegation that had neither been investigated nor substantiated.
 - b. The procedural aspects of the review process
 - c. The true evidence base for the summary conclusions of the report.
 - d. The handling of the allegations, innuendoes and alleged complaints regarding the Executive Director, from a perspective of accepted Human Resource standards, due process and principles of natural justice.
4. Re-establish a service agreement with the Board of Directors of Talbot House, provide adequate financial and consultative support, and determine realistic timelines and priorities for compliance to established standards.

Respectfully submitted on behalf of the Talbot House Board of Directors

J. Gainer, Ph.D., R.Psych.
Chair

SCHEDULE B

BUDGET SUBMISSION FORM
 Under the terms of this agreement
Budget - Core Funding
 Department of Community Services

Budget for April 1, 2011 to March 31, 2012	
Items	Approved Budget
Revenue	
DCS Funding	391,743.00
Expenses	
Staff Salaries/Benefits	165,000.00
Travel/Vehicles/Fuel/Maint.	24,700.00
Staff Training	5,200.00
Resources	40,000.00
Program Materials	
Insurance	9,000.00
Rent	6,000.00
Administration	20,000.00
Public Relations	
Telephone	9,500.00
Program Supplies / Materials	22,000.00
Office Supplies	11,000.00
Photocopying	2,000.00
Accounting & Audit	1,500.00
Furniture & Equipment	
Miscellaneous	170,000.00
TOTAL	485,900.00

 Signature (Board Chair)

01 Sept. 2011

 Date

 Signature (Board of Treasure)

01/Sept/2011

 Date