AUDIT REPORT
Denver’s Property Tax Spending for Intellectual and Developmental Disabilities
Denver Human Services and Rocky Mountain Human Services
August 2019

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Cover photo courtesy of Rocky Mountain Human Services.
August 15, 2019

AUDITOR’S LETTER

The objective of our audit was to assess how Denver Human Services and the nonprofit organization Rocky Mountain Human Services have spent City property tax dollars collected for the specific purpose of helping Denver residents with intellectual and developmental disabilities. I am pleased to present the results of this audit.

Among our findings, the audit revealed Denver Human Services and Rocky Mountain each failed to validate that they spent the dedicated property tax dollars for their intended purpose. Denver Human Services often did not verify Rocky Mountain’s expenses and, instead, trusted that the organization’s self-reported costs it submitted for reimbursement were valid and supported. Despite these problems, parents and legal guardians of young children who receive services through Rocky Mountain’s Early Intervention Department told us in a survey they were satisfied with the services they received.

Through stronger accountability of the City’s tax dollars and stronger oversight of their contract, both Denver Human Services and Rocky Mountain will be better equipped to ensure the dedicated property tax revenue is spent to help Denver residents with intellectual and developmental disabilities. Our report lists several related recommendations.

I am disappointed that Denver Human Services has chosen to disagree with recommendations that would clearly improve its oversight of taxpayer funds. Further explanation is in the Auditor’s Addenda included in the Recommendations section of the report and included in full on pages 66-68.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, “General Powers and Duties of Auditor,” and was conducted in accordance with generally accepted government auditing standards. Those standards require 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to personnel at Denver Human Services and at Rocky Mountain Human Services who assisted and cooperated with us during the audit. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
Denver’s Property Tax Spending for Intellectual and Developmental Disabilities
August 2019

Objective
To review Denver Human Services’ oversight of its contract with Rocky Mountain Human Services, and to determine whether Denver Human Services and Rocky Mountain managed, allocated, and spent—in accordance with their contract and with City ordinance—the portion of City property tax revenue dedicated to helping Denver residents with intellectual and developmental disabilities.

Background
Denver Human Services manages millions of dollars in dedicated property tax revenue that pays for services for residents with intellectual and developmental disabilities.

To provide these services, Denver Human Services contracts with the City’s state-designated community-centered board: Rocky Mountain Human Services. Rocky Mountain uses the dedicated tax dollars to provide case management, direct services, and flexible service options and to address individual needs unmet by federal and state programs.

REPORT HIGHLIGHTS

Highlights

Denver Human Services’ Lack of Oversight Prevents It from Validating that Taxpayer Funds Were Spent as Intended
- Denver Human Services allowed Rocky Mountain Human Services to use an unacceptable method for determining monthly expense reimbursements and did not validate whether Rocky Mountain spent City tax dollars properly.
- Denver Human Services violated contract requirements when making budget amendments.
- Denver Human Services did not monitor whether Rocky Mountain achieved outputs for its special projects, as required.
- Denver Human Services’ Internal Audit Division incorrectly spent the City’s dedicated property tax dollars on unrelated work, did not monitor the Rocky Mountain contract, and lacks an annual risk assessment to identify what it should audit.

Rocky Mountain Human Services Appears to Provide Quality Services but Could Improve Its Financial Accountability
- Parents and legal guardians were satisfied with the services their children received from Rocky Mountain’s Early Intervention Department. But Rocky Mountain does not conduct its own satisfaction surveys with the people it serves.
- Rocky Mountain lacked accountability over special projects.
- Rocky Mountain inappropriately served non-Denver residents using the City’s dedicated property tax funds.
- Rocky Mountain service coordinators did not comply with their policies and procedures for overseeing how the City’s tax dollars are spent.
- Rocky Mountain did not follow its procedures for approving requests through its Client Assistance Program. Both Rocky Mountain’s Unmet Needs Program and its Family Support Services Department did not ensure services were provided accurately and that City tax dollars were spent appropriately.

Rocky Mountain Human Services’ Decision-Making When Interacting with Its Community Advisory Council Lacks Transparency
Rocky Mountain’s management appeared to make funding decisions without providing written responses to council’s recommendations.

For a copy of this report, visit www.denverauditor.org or contact the Auditor’s Office at (720) 913-5000.
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BACKGROUND

In 2003, Denver voters approved an increase in the amount of property tax dedicated for services to residents with intellectual and developmental disabilities. The City entered into a contract with Denver’s “community-centered board,” Denver Options Inc. — also known as Rocky Mountain Human Services — to administer the programs funded by the tax increase.

From 2017 through 2018, the City paid Rocky Mountain $25.2 million from the portion of City property taxes dedicated to these services. In 2017, Rocky Mountain used this funding to provide services for 4,584 Denver residents with intellectual and developmental disabilities. That figure increased to 4,857 residents in 2018.1

Under state law, intellectual and developmental disabilities are substantial impairments of a person’s general intellectual functioning or adaptive behavior that manifests before they are 22 years old.2 Examples of an intellectual and developmental disability include cerebral palsy, Down syndrome, and autism spectrum disorder.

Colorado law makes the state Department of Health Care Policy and Financing responsible for delivering resources to Colorado residents who have an intellectual and developmental disability.3 The department does this by designating “community-centered boards” throughout the state.

Established by the Colorado Legislature in 1964, community-centered boards operate within a specified geographic area, such as a county or region. There are 20 statewide, including one in Denver. The community-centered boards are the conduit for providing or purchasing services and supports for those with an intellectual and developmental disability.4

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4 According to state law, examples of “services and supports” include education, training, independent or supported living assistance, and types of therapy.
This includes:

- Determining a person’s eligibility to receive services and notifying eligible people of what assistance is available;
- Evaluating individuals’ needs and developing personalized plans to address those needs through available services;
- Offering early intervention services for infants and toddlers who have intellectual and developmental disabilities; and
- Managing the cases for people receiving services.

Denver’s designated community-centered board is Rocky Mountain Human Services.

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**City Ordinance**

In 2003, Denver voters approved Initiative 100, a property tax increase to further help residents with intellectual and developmental disabilities. The tax increase raised the tax rate to $1 for every $1,000 in assessed property value. For instance, a Denver resident who owns a home with a $50,000 assessed value would pay $50 on their tax bill every year toward this special tax.\(^5\) Revenue raised by this tax goes into a special revenue fund specifically designated to benefit Denver residents with an intellectual and developmental disability.

In response to a 2015 audit conducted by our office, the Denver City Council in 2017 updated the ordinance governing how these tax dollars can be spent. Among the options the City Council approved, the City’s Department of Human Services can retain as much as three-quarters of 1 percent of the tax dollars to cover the cost of monitoring its contract with Rocky Mountain Human Services, and it can also transfer the dedicated property tax dollars to Rocky Mountain to support Denver residents with intellectual and developmental disabilities.

Figure 1 on the next page depicts the general flow of the dedicated property tax dollars, including how Denver collects the money and later disperses it to Rocky Mountain via Denver Human Services.

The updated City ordinance specifies two mandates:\(^6\)

1. The specific property tax dollars collected can only be used to directly provide or purchase services and supports to a person who either has been determined to have an intellectual and developmental disability or is seeking such a determination, and
2. The person benefiting from these funds must live in Denver.

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\(^5\) Property tax amount equals the actual value of a residential property multiplied by an assessment rate of 7.2 percent. This number is then multiplied by 0.1 percent to arrive at the amount of tax owed on the property.

To ensure these two mandates were fulfilled, Denver Human Services entered into a contract with Rocky Mountain Human Services. The agreement laid out key areas, such as:

- The time period of the contract
- The services to be provided by Rocky Mountain and the corresponding budgeted dollar amounts for those services
- The responsibilities of both Denver Human Services and Rocky Mountain
- The requirements governing how and when reimbursements funded by Denver’s dedicated property tax would be made
- The documentation and reporting requirements Denver Human Services has for Rocky Mountain
- The maximum dollar amount authorized by City Council to be spent under each contract period

During 2017 and 2018 (the period under audit), there were two contracts in place. Figure 2 on the following page depicts those contract time periods, and the maximum amount that each contract was worth.
In terms of expenses, Denver Human Services is the fourth largest agency in the City and County of Denver. In 2018, Denver Human Services spent about $167 million.  

The department plays a preeminent role in administering the tax dollars earmarked to help residents with intellectual and developmental disabilities. Denver Human Services oversees both the millions of dollars in tax revenue collected and also the contract between itself and Rocky Mountain. The contract is Denver Human Services’ single largest contract in terms of dollar amount. In 2017, the department assigned the time of nine employees to work related to this contract. In 2018, the number of employees assigned to work related to this contract increased to 10. Only two of the nine employees in 2017 and two of 10 employees in 2018 worked exclusively full time on the contract.

The contract states that Denver Human Services should provide both financial and programmatic oversight of the tax dollars allocated to Rocky Mountain. This includes approving Rocky Mountain’s budget for using the money and validating whether the money is spent as intended. It also includes ensuring Rocky Mountain meets the agreed-upon goals outlined in the contract’s scope of work.

Compared to the 19 other community-centered boards in Colorado, Rocky Mountain ranks third in having the most residents served, the highest revenues, and the highest expenses.  

Aside from Denver’s dedicated property tax dollars, Rocky Mountain receives revenue from other sources, too, including the state and

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federal governments. In recent years, Denver’s tax revenue has made up between a quarter and a third of the organization’s total annual revenue, which was more than $42 million in 2018.

Figure 3 depicts Rocky Mountain’s revenue sources for 2017 and 2018.

**FIGURE 3. Rocky Mountain Human Services’ Sources of Revenue**

<table>
<thead>
<tr>
<th>Source</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>$15.5M (42%)</td>
<td>$14.9M (35%)</td>
</tr>
<tr>
<td>Federal grant</td>
<td>$3.2M (9%)</td>
<td>$2.8M (7%)</td>
</tr>
<tr>
<td>State</td>
<td>$7.1M (19%)</td>
<td>$13.4M (32%)</td>
</tr>
<tr>
<td>Other</td>
<td>$2.1M (6%)</td>
<td>$9.7M (23%)</td>
</tr>
<tr>
<td>Denver’s dedicated property tax dollars</td>
<td>$8.9M (24%)</td>
<td>$13.4M (32%)</td>
</tr>
</tbody>
</table>

**Source:** Graphic designed by Auditor’s Office staff using information from Rocky Mountain Human Services.

**Note:** 2017 and 2018 are both represented in fiscal years. 2018 percentages do not add up to 100 percent because of rounding.

As Denver’s community-centered board, Rocky Mountain provides case management and some direct services to Denver residents with intellectual and developmental disabilities. Case management services include determining residents’ eligibility for services, helping people sign up for services, and coordinating and monitoring their direct services—such as behavioral therapy, clinical assessments, and services related to independent and community living.

With access to Denver’s dedicated property tax dollars, Rocky Mountain can pay for services that support a resident’s personalized needs not covered by other funding sources such as Medicaid. (Medicaid is a state and federally funded health insurance program for low-income individuals and those with disabilities.)
In 2017, Rocky Mountain had two employees whose time was fully
dedicated to programs funded by Denver’s property tax dollars. In
2018, the number of fully dedicated employees increased to 10.

Table 1 breaks down how some of Rocky Mountain’s departments use
Denver’s property tax revenue to serve residents with intellectual and
developmental disabilities.

Residents served by the departments listed in Table 1 can receive the
City’s dedicated property tax dollars through two primary programs—
Client Assistance and Unmet Needs.

- The Client Assistance Program offers immediate assistance for
  personalized needs not covered by other funding sources. In
  2018, Rocky Mountain approved 1,611 requests made by the
  individuals receiving service. The requests totaled $1.3 million.

<table>
<thead>
<tr>
<th>Department within Rocky Mountain Human Services&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Description of Department</th>
<th>How Denver Property Tax Dollars Pay for Services</th>
<th>Denver Residents Served in 2018&lt;sup&gt;d&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Intervention Department</td>
<td>Provides case management and direct services, such as therapy and clinical assessments for children up to 3 years old.</td>
<td>Covers case management services needed beyond what Medicaid will pay for, which is 60 hours per year. Covers therapy services beyond state, federal, or private funding.</td>
<td>2,231</td>
</tr>
<tr>
<td>Family Support Services Department</td>
<td>Provides case management and direct services to individuals so they can keep living in their own homes.</td>
<td>Covers services not reimbursed by other funding sources.</td>
<td>1,220</td>
</tr>
<tr>
<td>Service Coordination</td>
<td>Provides case management to individuals with a Medicaid waiver.&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Covers services above what Medicaid will pay for.</td>
<td>967</td>
</tr>
<tr>
<td>Behavioral Health Department&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Provides psychiatric and psychological therapy services.</td>
<td>Covers therapy services beyond what other sources will pay for.</td>
<td>50</td>
</tr>
<tr>
<td>Children’s Clinical Department</td>
<td>Provides assessments, diagnostic evaluations, and therapy services.</td>
<td>Covers individual needs beyond what other funding sources pay for.</td>
<td>1,289</td>
</tr>
</tbody>
</table>

Source: Auditor’s Office review of Rocky Mountain’s “2018 Annual Report – Intellectual and Developmental Disability Services Supported by Denver Mill Levy Funding.”

Note:  
<sup>a</sup> The departments in this table were the ones evaluated as part of this audit. This is not a complete list of Rocky Mountain’s departments.

<sup>b</sup> The Behavioral Health Department was closed by Rocky Mountain Human Services in November 2018.

<sup>c</sup> Waiver programs provide services at an individual’s home or community home instead of them having to live in a hospital or special care facility. Waiver programs vary depending on the level of care required and the source of funding.

<sup>d</sup> Residents may receive services in multiple departments, which leads to overlap in the number of residents.
The Unmet Needs Program allows Denver residents receiving case management services to receive extra services and supports beyond what federal or state funding can provide. For instance, if state aid pays for 30 hours of behavioral services but a person needs 40 hours, Denver tax dollars can cover the cost of the remaining 10 hours.

Figure 4 illustrates how Denver residents can access these enhanced services through the Unmet Needs and Client Assistance programs.

**FIGURE 4.** How Individuals Get Enhanced Services from Rocky Mountain Human Services

Source: Illustration designed by Auditor’s Office staff.

**Special Projects** – Rocky Mountain uses the dedicated property tax in additional ways by entering into agreements with outside service agencies and individual providers. These agreements are referred to as “special projects.” These projects are funded on a short-term (one year or less) basis or on a one-time basis using Denver’s property tax dollars.

Rocky Mountain accepts proposals for special projects up to twice a year from community partners, customers, families, and other stakeholders to address gaps in services. Both Rocky Mountain’s management and its Community Advisory Council review the
proposals. In 2017, Rocky Mountain—with the council’s input—awarded $2.8 million in Denver property tax revenue to 26 special projects. In 2018, this amount increased to $4.2 million covering 22 special projects.

The goals of the projects vary. Some services offered include training residents with intellectual and developmental disabilities in trades or in technical skills and providing recreational opportunities to enhance their independence and social skills. These special projects provide a flexible approach to offering services that would otherwise be unavailable to these individuals.

SPECIAL PROJECTS SPOTLIGHT
An example of one community agency that received Denver property tax dollars for a special project provided yoga classes to Denver residents with intellectual and developmental disabilities. The class was tailored to this population with the purpose of increasing individuals’ independence.

In 2018, 161 students took the yoga classes. In addition to increased independence, participants also told Rocky Mountain Human Services that they had increased self-confidence and leadership skills.

Prior Audit
In 2015, our office performed an audit similar to this one whereby we evaluated whether Denver Human Services and Rocky Mountain Human Services complied with contract terms, such as spending requirements and oversight provisions. As a result of that audit, Denver Human Services and Rocky Mountain Human Services made several improvements to comply with contract terms.

While our current audit also evaluated whether the contract terms were met, we significantly expanded the 2015 audit objective to include examining Rocky Mountain’s controls over the use of City funds.

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9 In addition to reviewing projects, the council also advises Rocky Mountain on which priority areas to fund among the special projects.
FINDING 1

Denver Human Services’ Lack of Oversight Prevents It from Validating that Taxpayer Funds Were Spent as Intended

Denver Human Services failed to give proper oversight to Rocky Mountain Human Services’ spending of the City’s dedicated property tax dollars.

Denver Human Services let Rocky Mountain use an unacceptable method of seeking reimbursement. This resulted in little to no validation that Rocky Mountain properly spent the money. And after disallowing that method, Denver Human Services still failed to adequately validate Rocky Mountain’s reimbursement requests.

Furthermore, Denver Human Services did not monitor Rocky Mountain’s special projects to ensure the scope of work in the subcontracts was fulfilled. Denver Human Services’ Internal Audit Division failed to adequately monitor its contract with Rocky Mountain, while also misusing some of the property tax dollars. Lastly, Denver Human Services violated its contract with Rocky Mountain by not following contract procedures when amending Rocky Mountain’s property tax budget.

Denver Human Services Allowed an Improper Method of Monthly Reimbursement

Our audit period covered two contracts between Denver Human Services and Rocky Mountain Human Services. Both contracts contain similar language related to reimbursements and monitoring. Because of this similarity, going forward in the report, we will refer to the two contracts collectively as “the contract.”

The contract with Denver Human Services requires Rocky Mountain to be paid with the property tax dollars only on a reimbursement basis. That means Rocky Mountain must first pay for a service or support before Denver Human Services provides reimbursement for that cost. Additionally, the contract requires Rocky Mountain to support any expense it submits to Denver Human Services for reimbursement by providing official source documentation proving, in detail, the nature and appropriateness of the expense. Denver Human Services violated contract requirements by allowing an incorrect method of reimbursement.

MORE INFORMATION
Reference Appendix C for excerpts of the two contracts in effect before and after July 2018.
“Source documentation” means the original document that contains the details of a transaction and captures key information, such as the names of the parties involved, amounts paid, the date, and the nature of the transaction. This can be invoices from service providers, employee time cards, cancelled checks that have cleared the bank, and receipts showing proof of payment. General ledgers, journal entries, and budget reports do not qualify as source documentation, because they do not include the level of detail required to verify a transaction and whether that expense was appropriate.

In addition to the contract itself, one of the City’s Fiscal Accountability Rules requires support documentation for every financial transaction. The support documentation must provide a clear picture of the transaction and an indisputable audit trail from the source documents to any journals to the general ledger. The support documentation requirements in the contract and in the City’s Fiscal Accountability Rules set the standard for how the City—in this case, Denver Human Services—should validate whether Denver tax dollars were appropriately spent.

The validation process begins with Rocky Mountain preparing and submitting its monthly expense report to Denver Human Services. The contract requires Rocky Mountain to submit an expense report that details all services, supports, goods, and administrative costs incurred each month. Accompanying that report should be the official source documentation Denver Human Services can then use to validate whether the expenses Rocky Mountain submitted for reimbursement are, in fact, allowed under the contact. To validate, Denver Human Services checks for all the following:

- Rocky Mountain incurred and paid for the expense;
- The expense was accurately reported; and
- The expense supported a Denver resident with an intellectual and developmental disability.

We found that for the first 18 months out of the 24 months we audited, Denver Human Services allowed Rocky Mountain to use an incorrect method of reimbursement known as “gap funding.” Furthermore, we found that one of Rocky Mountain’s departments funded by Denver Human Services paid $16.5 million to Rocky Mountain without validating the expenses.

MORE INFORMATION

Reference Appendix E for an example of how the City records Rocky Mountain’s financial transactions.

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Denver’s property tax dollars—the Children’s Clinical Department—was incorrectly reimbursed for the entire two years under audit.

Specifically, from January 2017 through June 2018 for all reimbursed departments and then continuing through December 31, 2018, for the Children’s Clinical Department, Rocky Mountain used the gap-funding method to calculate expense reimbursements. This violated the contract and led to Denver Human Services paying $16.5 million of the $25.2 million—or 66 percent—in total reimbursements to Rocky Mountain Human Services without validating the expenses.

Under gap funding, Rocky Mountain submitted monthly expense reports but failed to have source documentation that could validate its reimbursement requests, as required under the contract and the City’s Fiscal Accountability Rules. Instead, Rocky Mountain submitted a high-level summary to Denver Human Services each month for amounts it sought for reimbursement. These summaries were composed only of Rocky Mountain’s total revenues received and total expenses incurred for the month. The difference between the revenues and expenses, referred to as the “gap,” was the amount Rocky Mountain sought reimbursement for through the City’s dedicated property tax revenue.

Appendix A provides an example of Rocky Mountain’s monthly invoice, and Figure 5 illustrates the concept of gap funding.

**FIGURE 5. How Rocky Mountain Human Services Used Gap Funding**

REVENUE - EXPENSES = DEFICIT

REIMBURSEMENT from mill levy property tax dollars

THIS IS THE GAP (when expenses are greater than revenue)

Source: Auditor’s Office analysis of Rocky Mountain’s 2018 monthly expense reports.
By allowing Rocky Mountain to use a gap-funded reimbursement process and to not submit source documentation, Denver Human Services could not validate whether reimbursements that came from Denver tax dollars were accurate or used for the benefit of a Denver resident with an intellectual and developmental disability. Rather, Denver Human Services relied entirely on Rocky Mountain to accurately self-report monthly reimbursement requests.

When the audit team asked why Denver Human Services ignored its rules, Denver Human Services representatives said they misinterpreted the 2003 ballot initiative and the City ordinance. The department’s managers mistakenly thought Denver Human Services was to function as a pass-through of the dedicated property tax dollars—not that the department was to function in an oversight and monitoring capacity. Denver Human Services believed the City would collect the taxes and remit the money to Denver Human Services, which would then transfer the dollars to Rocky Mountain without Denver Human Services having to validate how the money was spent.

As shown in Figure 2 on page 4, July 2018 marked the beginning of a new contract term between Denver Human Services and Rocky Mountain Human Services. This covered the last six months of our audit period. With this new contract, Denver Human Services improved its effort to validate Rocky Mountain’s reimbursement requests. The improvements targeted two key areas:

1. Ending the gap-funding method of reimbursement, and
2. Enforcing the contract section that required Rocky Mountain to submit source documentation.

As such, Denver Human Services started requiring Rocky Mountain to provide source documentation for two of the 14 departments listed on the monthly reimbursement request form, as a way to sample whether the departments were adhering to the requirement. Expenses from the 12 other departments remained unsupported by source documentation.

Despite improvements, we identified a significant portion of reimbursements during the last six months of 2018 that Denver Human Services rejected. The reimbursement requests were rejected because...
the documentation Rocky Mountain submitted did not qualify as source documentation. Just as we found with the gap-funding issue, Denver Human Services still could not verify whether Rocky Mountain spent Denver property tax dollars to help City residents with an intellectual and developmental disability.

We randomly selected two of the six monthly reimbursement requests that Rocky Mountain submitted from July through December 2018 to determine whether the source documentation provided was appropriate to validate those expenses. Our random selection resulted in November and December being chosen for testing. We then checked the source documentation that Denver Human Services required Rocky Mountain to submit as backup for those two of the 14 departments listed on those months’ reimbursement requests. For the two months sampled, Denver Human Services failed to validate $2.1 million of the $2.3 million in expenses Rocky Mountain submitted for reimbursement.

We identified several instances in which the paperwork Rocky Mountain submitted was not the true source documentation Denver Human Services should have received to validate the costs. For the two departments for which Rocky Mountain submitted source documentation, we found that Denver Human Services denied about $132,400 in expenses for the months of November and December. The reimbursement requests for both months were denied at the time they were submitted because not all of the documentation Rocky Mountain provided qualified as source documentation. However, despite Denver Human Services identifying these unsupported expenses, the department approved and paid—without question—the remaining reimbursement for the other 12 departments in the amount of $2.1 million.

In addition to the November and December reimbursement requests, we also reviewed Rocky Mountain’s October 2018 reimbursement request. We used our professional judgment to select this month’s invoice because it was the one month during our two-year audit period for which Denver Human Services required Rocky Mountain to submit source documentation for 100 percent of the expenses. Rocky Mountain submitted costs totaling $1.6 million for October 2018. Of that amount, Denver Human Services found about $513,000—or 32 percent—to be unsupported. And yet, the department paid the reimbursement request in full.
We learned Denver Human Services and Rocky Mountain do not agree on what constitutes appropriate source documentation. Denver Human Services said the documentation submitted by Rocky Mountain was insufficient to verify whether the expenses submitted for reimbursement were, in fact, used to help a Denver resident with an intellectual and developmental disability.

Meanwhile, Rocky Mountain managers said Denver Human Services’ requests for source documentation were inconsistent and varied from month to month. They said continuously changing expectations for source documentation made gathering the necessary documentation difficult, inefficient, and time-consuming.

Because of the inappropriate use of gap funding that occurred during the first 18 months for all programs and during all 24 months for the Children’s Clinical Department and to mitigate the risks of inadequate support documentation, we make the following recommendations.

**RECOMMENDATION 1.1**

**Enforce Contract Reimbursement Requirement** – The executive director of Denver Human Services should enforce the reimbursement provision of its contract with Rocky Mountain Human Services. The executive director should also disallow the reimbursement of expenses that Rocky Mountain does not adequately support with evidence.

*Agency Response: Disagree*

*Auditor’s Addendum: See page 66 under Recommendation 1.1*

**RECOMMENDATION 1.2**

**Implement Process for Invoice Review** – The executive director of Denver Human Services should work with Rocky Mountain Human Services to agree on the kind of source documentation necessary to validate expenses for any department included on Rocky Mountain’s monthly reimbursement request.

*Agency Response: Disagree*

*Auditor’s Addendum: See page 67 under Recommendation 1.2*
As mentioned in the background, Rocky Mountain subcontracts with various service providers to offer unique services to Denver residents with intellectual and developmental disabilities using the City’s tax dollars. These subcontracts—also called “special projects”—provide a flexible approach to offering services that would otherwise be unavailable to these individuals.

For the two primary contracts in place during our audit, Denver Human Services approved $7.1 million in Denver property tax revenue for these special projects. This accounted for 19 percent of the dedicated property tax dollars budgeted in the 2017 contract and 27 percent of the dedicated property tax dollars budgeted in the 2018 contract.

We found that Denver Human Services insufficiently monitored Rocky Mountain’s subcontractors, as required under one of the City’s executive orders. Executive Order 8 makes clear that contracts are one of the highest administrative priorities. It outlines the City policy on contract procurement and states that the agency in charge of a contract must monitor the performance of that agreement.  

While Denver Human Services said it provided some monitoring, that work consisted only of:

- Reading the semi-annual report produced by Rocky Mountain;
- Having infrequent in-person meetings with subcontractors; and
- Occasionally visiting subcontractor facilities.

Both of Denver Human Services’ contracts stated that the provisions of those contracts extended to any Rocky Mountain subcontractor who was paid using the City property tax dollars. As such, Denver Human Services was required to monitor not just Rocky Mountain’s performance but also that of any of Rocky Mountain’s special projects subcontractors.

When the audit team asked for copies of the special projects subcontracts, Denver Human Services managers said they did not have them. Such a limited monitoring effort—coupled with not having copies

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**RELATED FINDINGS**

In addition to Denver Human Services’ lack of special projects monitoring, we also found Rocky Mountain Human Services lacks oversight of its special projects. Reference page 24 to read more.

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of the subcontracts—means Denver Human Services cannot monitor whether Rocky Mountain’s subcontractors fulfilled the services and supports they were hired to provide.

We determined that Denver Human Services does not understand its obligation to monitor the subcontracts paid for with the City’s property tax dollars. Denver Human Services incorrectly believed the City’s relationship extends only to Rocky Mountain and not to subcontractors. Under that premise, Denver Human Services relies on Rocky Mountain to monitor whether subcontractors do the work they were hired for.

By failing to perform adequate monitoring itself and by relying on Rocky Mountain to monitor subcontracts funded by property tax dollars, Denver Human Services increases the likelihood that subcontractors could misuse that money.

**RECOMMENDATION 1.3**

**Verify Accuracy of Special Project Outputs** – The executive director of Denver Human Services should establish procedures for monitoring the agreed-upon goals stated in Rocky Mountain Human Services’ subcontracts.

**Agency Response: Agree, Implementation Date – December 31, 2019**

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**Denver Human Services’ Internal Audit Division Failed to Monitor the Rocky Mountain Contract and Improperly Spent Taxpayer Funds**

We found that, from 2017 through 2018, Denver Human Services’ Internal Audit Division failed to properly monitor expenses paid with Denver’s dedicated property tax. This is despite Denver Human Services committing in 2015 to hiring an internal auditor who would “[review] monthly financial statements and cash disbursements and [develop and implement] quarterly cycle audits.”

Denver Human Services hired a full-time internal auditor in 2016, following a 2015 audit by the Denver Auditor’s Office. The internal auditor’s primary responsibility was to monitor the contract. Denver Human Services paid the internal auditor’s salary using a portion of the dedicated property tax dollars the department retains—as allowed under City ordinance—to cover costs it incurs to administer and monitor the contract with Rocky Mountain Human Services.

Between 2017 and 2018, Denver Human Services’ Internal Audit Division

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produced only one audit. A second audit was still in draft form as of April 2019. Not only did the Internal Audit Division produce a limited quantity of work for those two years, but the time period its internal auditor looked at had a significant delay. The two internal audits covered the period of April-December 2016. Additionally, the two audits contained narrow scopes and assessed only two of Rocky Mountain’s departments, Service Coordination and Special Projects, that are funded with Denver’s dedicated property tax dollars.

We also found that during the months August and September of 2017, Denver Human Services’ Internal Audit Division assigned its dedicated internal auditor to a project unrelated to the contract they were tasked to monitor and unrelated to the dedicated property tax dollars that paid their salary. By doing this, Denver Human Services’ management violated City ordinance, which restricts the use of those dedicated property taxes to the administration and oversight of the contract with Rocky Mountain. Despite the unrelated assignment, Denver Human Services still used the earmarked tax dollars to pay the internal auditor’s salary and benefits.

Although Denver Human Services officials acknowledged that they incorrectly charged a portion of the internal auditor’s costs to the dedicated property tax funds, they claimed their auditor did not work on unrelated projects for the entire months of August and September 2017. However, Denver Human Services was unable to provide evidence showing the exact period when the internal auditor worked on unrelated projects. Because of this reassignment, Denver Human Services misused as much as $14,400 in dedicated funds.

When our audit team asked why Denver Human Services’ Internal Audit Division did not adequately monitor the contract and why it also misused as much as $14,400, Denver Human Services said:

- The internal auditor’s reassignment to work unrelated to the Rocky Mountain contract was necessary to fill the internal auditor’s downtime; and
- The internal auditor position was vacant from February 2018 when the internal auditor was placed on leave until the position was filled in September 2018.

Meanwhile, we also found that Denver Human Services’ Internal Audit Division did not have a risk assessment process in 2017 and 2018. A risk assessment helps internal auditors decide what exactly to audit by pinpointing where an audit might do the most good. Specifically, the Institute of Internal Auditors says a risk assessment process includes defining possible audits, choosing factors to make a selection, establishing a scale for rating those factors, rating each possible audit
against the factors, and selecting and prioritizing audits based on the risk or potential benefit.\textsuperscript{13}

Had Denver Human Services’ Internal Audit Division had a risk assessment, the department would have been better positioned to monitor its contract with Rocky Mountain, and it could have avoided misusing earmarked tax dollars. The importance of a risk assessment becomes greater when considering Denver Human Services’ largest contract is the one it has with Rocky Mountain and that the department’s audit resources dedicated to monitoring spending of the dedicated property tax revenue are limited to only one full-time auditor.

Having a risk assessment would have provided the internal auditor a road map of what audit work was needed, as well as which risks were of greatest priority. In turn, this would have reduced the internal auditor’s downtime and better aligned audit resources with risks.

**RECOMMENDATION 1.4**

**Develop an Annual Risk Assessment Process** – The executive director of Denver Human Services should ensure its Internal Audit Division establishes and implements an annual risk assessment process related to its contract with Rocky Mountain Human Services.

**Agency Response: Agree, Implementation Date – October 31, 2019**

**RECOMMENDATION 1.5**

**Ensure Proper Use of Taxpayer Funds** – The executive director of Denver Human Services should ensure taxpayer dollars dedicated to helping those with intellectual and developmental disabilities are not spent to perform internal audit work unrelated to the contract with Rocky Mountain Human Services.

**Agency Response: Disagree**

**Auditor’s Addendum: See pages 67-68 under Recommendation 1.5**

Each contract with Rocky Mountain includes a budget showing Rocky Mountain’s plan for how it will spend Denver property tax dollars during the contract period. The budgets we reviewed for 2017 and 2018 included:

- A separate budgeted category for each of Rocky Mountain’s departments that receive Denver property tax dollars;
- A maximum budgeted dollar amount for each department; and
- A brief description of each department’s intended purpose.

The contract requires Denver Human Services to follow specific steps whenever Rocky Mountain anticipates it will spend over the maximum budget for a department. Specifically, Denver Human Services and Rocky Mountain are supposed to state in writing any changes to the budget. A change to the budget does not take effect unless and until both parties approve the change in writing, the City Attorney’s Office approves the contract change, and the Clerk and Recorder’s Office makes it available for public access.

However, twice in 2018, we found Denver Human Services violated the contract’s requirements for changing the agreed-upon budget. As indicated in Table 2, two of Rocky Mountain’s departments had cost overruns—which amounted to $553,538. However, Rocky Mountain’s total spending did not exceed the $7.5 million contract maximum allowed under the time frame from January-June 2018.

### Table 2. Budget Change Issues Identified by Auditors

<table>
<thead>
<tr>
<th>Time Frame</th>
<th>Contract Requirements Violated</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2018 – June 2018</td>
<td>Failed to execute, approve, and record a budget change for two departments that exceeded their maximum budgets—one by $545,356 and the second by $8,182.</td>
</tr>
<tr>
<td>July 2018 – December 2018</td>
<td>Changed the contract but failed to have it approved by the City Attorney’s Office and recorded with the City clerk.</td>
</tr>
</tbody>
</table>

Source: Auditor’s Office analysis of contracts in effect in 2018.

Government budgets, such as the one included in the contract, play a vital role, according to the Government Finance Officers Association. While all budgets are important in financial planning, government budgets are especially important because they set public policy and provide accountability for taxation and spending. Ensuring that spending does not exceed budgeted amounts serves

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as an important internal control in government. (Internal controls are policies, procedures, techniques, and mechanisms that help achieve an organization’s objectives and address identified risks.)

Denver Human Services’ failure to follow requirements for changing contract budgets greatly reduced the effectiveness of the budgets and exposed both the City and Rocky Mountain to unnecessary risks.

The City exposed itself to unnecessary and greater risks, including:

- Exceeding the maximum spending allowed under the contract;
- Inadvertently violating the contract terms and violating City policy by not having the City Attorney’s Office review budget changes; and
- Creating a public perception that the City avoided transparency and accountability by not making budget changes available through the Clerk and Recorder’s Office.

Meanwhile, Rocky Mountain exposed itself to incurring costs the City could have potentially denied for reimbursement. The contract states any services Rocky Mountain provides beyond those explicitly included in the budget are done so at its own risk and without authorization under the agreement. Because the budget changes made during calendar year 2018 did not comply with contract terms, the City could have refused reimbursement for any costs that exceeded the original budget.

When the audit team inquired why Denver Human Services did not properly change the contract budgets, Denver Human Services personnel said there was confusion as to how budget changes ought to be carried out. This confusion could be a by-product of Denver Human Services’ lacking a thorough understanding of what the contract requires.

RECOMMENDATION 1.6

**Enforce Contract Requirements for Budget Changes** – The executive director of Denver Human Services should ensure all department personnel responsible for overseeing the contract with Rocky Mountain Human Services have a complete understanding of the contract’s requirement for changing Rocky Mountain’s budget. Further, the executive director should develop internal controls to ensure all budget changes are made in compliance with contract requirements.

*Agency Response: Agree, Implementation Date – December 31, 2019*
FINDING 2

Rocky Mountain Human Services Appears to Provide Quality Services but Could Improve Its Financial Accountability

Whereas our first finding evaluated Denver Human Services’ management and allocation of dedicated property tax funds, this finding evaluates Rocky Mountain’s management and allocation of that money.

Despite a high level of satisfaction among many individuals we surveyed who receive case management services from Rocky Mountain’s Early Intervention Department, Rocky Mountain has not been properly accountable with the property tax dollars it spends.

Rocky Mountain’s lack of accountability led to issues such as Rocky Mountain serving non-Denver residents using property tax funds collected by and dedicated for Denver residents, the organization providing incorrect levels of service and case management, and it not adequately monitoring outputs and expenses for its special projects.

Residents Are Satisfied with Services from Rocky Mountain Human Services’ Early Intervention Department

We developed and administered a survey to measure the satisfaction of individuals receiving services from Rocky Mountain’s Early Intervention Department. The department serves infants and toddlers from birth until they are 3 years old.

As described in Rocky Mountain’s internal policies and procedures, service coordinators are expected to coordinate each child’s evaluations, develop service plans that outline the child’s unique service needs, and help the child receive the services listed in their plan. Throughout this process, service coordinators are required to maintain monthly contact with the child’s parent or legal guardian.

We surveyed parents and legal guardians whose child was served by the Early Intervention Department in 2018 to see what they thought of their service coordinator. This included questions on how well their service coordinator communicated with them and monitored their child’s service plan, as well as what they thought of the experience to develop a service plan.

MORE INFORMATION

Reference Appendix B for further details on how our survey was conducted and how we analyzed the results.
Our survey results found a high level of satisfaction among the 319 parents and guardians who responded to our survey.

- 92 percent said they were satisfied with their service coordination experience.
- 95 percent indicated they were satisfied with the services included in their child’s service plan.
- Of those who indicated they were satisfied with their service coordination experience, 59 percent had received services from Rocky Mountain for less than one year, 35 percent had received services for one to two years, and 6 percent had received services for longer than two years.

**SURVEY COMMENTS**

Of the 319 parents and guardians who participated in our survey, 135 left written comments about their service coordination experience. Among them:

- “The service coordinator has been great any time I had a question or request, and my child has shown great improvement with his speech since starting the program.”
- “The service coordinator communicated very well and walked us through the process. She was friendly and approachable.”

Among the 25 parents and guardians who reported dissatisfaction:

- Nine were dissatisfied with how their service coordinator developed their child’s service plan;
- Twenty-three were dissatisfied with how their service coordinator monitors their child’s plan; and
- Eight were dissatisfied with their service coordinator’s level of communication.

Our results indicated both service coordinator communication and service-plan monitoring were significant drivers of a parent’s or legal guardian’s satisfaction. Based on the statistical relationship we identified, an increase in either communication or service-plan monitoring will lead to an increase in the parent’s or guardian’s overall satisfaction with their service coordination experience.
Rocky Mountain Human Services Does Not Conduct Satisfaction Surveys of the Residents It Serves

Rocky Mountain Human Services does not gauge how satisfied any of the individuals who receive its case management services are. Rocky Mountain officials said they have simply not prioritized developing a satisfaction survey of their case management services, such as the kind of survey we conducted for this audit.

Although community-centered boards are not required to conduct satisfaction surveys, Colorado’s Department of Health Care Policy and Financing does consider, among other factors, the quality of service a board provides when designating the state’s community-centered boards. Without the ability to measure Denver residents’ satisfaction with their case management, Rocky Mountain may limit its ability to identify general trends and specific areas it can improve to ensure and increase individuals’ satisfaction.

We researched how other community-centered boards in Colorado monitor satisfaction of the individuals they serve by contacting five boards that are comparable in size (in terms of revenues, expenses, and the number of people served).

**FIVE COMPARABLE COMMUNITY-CENTERED BOARDS**

- Foothills Gateway (Larimer County)
- Developmental Disabilities Resource Center (Jefferson, Clear Creek, Gilpin, and Summit counties)
- Imagine! (Boulder County)
- The Resource Exchange (Park, Teller, and El Paso counties)
- Developmental Pathways (Arapahoe and Douglas counties)

We received feedback from four of the five community-centered boards we contacted. Each said they conduct satisfaction surveys to monitor their case management services. While the surveys they administered differ in content, staff from each community-centered board discussed the importance of this type of monitoring.

For instance, one board learned individuals were dissatisfied with the paperwork process, which prompted the board to emphasize electronic forms. Another stated their survey results led to better training for case managers to ensure they respond to their clients’ calls in a timelier manner.
RECOMMENDATION 2.1

Gauge Client Satisfaction – The executive director of Rocky Mountain Human Services should develop and administer a method that incorporates leading practices when gauging the satisfaction of individuals receiving its case management services.

Agency Response: Agree, Implementation Date – June 30, 2020

In Finding 1, we discussed our evaluation of Denver Human Services’ lack of special projects monitoring. Here, our focus is now on Rocky Mountain Human Services’ lack of special projects oversight.

Similar to our finding with Denver Human Services, we found Rocky Mountain was not holding its special projects subcontractors accountable. Specifically, the organization did not validate that Denver’s designated tax dollars were being spent as intended, it did not ensure only Denver residents were served, and it did not ensure its subcontractors met the outputs they were required to produce.

Between 2017 and 2018, Rocky Mountain executed 48 contracts with community agencies for special projects. We used our professional judgment to select two subcontractors to test. Our assessment included checking if Rocky Mountain verified that their subcontractors had source documentation to support whether Denver’s property tax dollars were spent as intended and whether the two subcontractors fulfilled the agreed-upon goals listed in their contracts.

Rocky Mountain Human Services Failed to Monitor Its Subcontractors

All special projects subcontracts include specific outputs the subcontractor is required to fulfill. In meeting these outputs, special projects subcontractors must also comply with the requirements of the contract between Denver Human Services and Rocky Mountain, including:

- All expenses submitted for reimbursement are supported by source documentation, and

MORE INFORMATION

Reference Appendix B for further detail on our data analysis and sampling methodology.
All individuals served live in Denver and have an intellectual and developmental disability.

We found Rocky Mountain failed to monitor its subcontractors and, instead, relied entirely on the subcontractors to self-report the information in both their invoices and their metric reports. These metric reports are quarterly updates to Rocky Mountain about the subcontractors’ status in meeting agreed-upon goals stated in the subcontracts.

As a result of Rocky Mountain’s lack of monitoring, we identified significant issues with the two subcontractors we assessed—including their expenses and the outputs they were supposed to deliver.

Source Documentation for Invoices – Of the invoices we tested for two Rocky Mountain subcontractors, we could not verify the validity of a majority of the expenses.

The two Rocky Mountain subcontractors we tested submitted 24 invoices for reimbursement, totaling $1.2 million in dedicated property tax funds. We randomly sampled nine of those invoices—totaling about $416,000—which represented 32 percent of all reimbursed expenses. We found that 93 percent of those expenses, or about $386,000 in property tax funds, were unsupported by source documentation.

In addition to the majority of expenses being unsupported, we also identified other issues with the expenses tested. Specifically:

- About $181,500 was submitted for reimbursement for costs not yet incurred. This violated the subcontracts, which do not allow for advanced payment of expenses.
- About $194,000 of reimbursed expenses included costs for items outside the subcontracts’ scope of work.

Because a majority of expenses we analyzed were not supported, we sought other ways to verify the expenses. Specifically, to identify reimbursement requests for costs not yet incurred, we matched the dates on the subcontractors’ summary list of monthly expenses with the corresponding dates on the invoices we sampled. By doing so, we identified expenses submitted for reimbursement prior to their actual occurrence. For example, there was an expense incurred in December that was submitted for reimbursement two months prior.

Similarly, to identify costs with an unclear connection to the subcontractors’ scope of work, we matched expense descriptions with the scopes of work.

Eligibility of Those Served – Within our audit period, we tested the eligibility of 46 individuals served through two of Rocky Mountain’s
subcontractors. Of those 46 individuals, we identified some people who were receiving Rocky Mountain’s special projects services but who were not eligible. Specifically:

- Eight individuals were not Denver residents;
- One individual’s residency could not be verified due to a lack of source documentation;
- Two individuals did not have an intellectual and developmental disability; and
- Three individuals lacked documentation necessary to verify they had an intellectual and developmental disability.

**Fulfillment of Contract Terms** – Under the terms of the subcontracts, the subcontractors were required to serve a certain number of people. Between 2017 and 2018, the two Rocky Mountain subcontractors we analyzed agreed to serve 58 individuals. However, we found:

- Of the required 58, only 18 eligible individuals were served;
- A program agreed to start on May 1, 2017, was not offered until mid-August of 2017, and;
- A required assessment was not conducted for all eligible individuals served, as required by the subcontract.

Rocky Mountain’s failure to monitor whether its subcontractors met agreed-upon goals revealed that Rocky Mountain gave funds to subcontractors for services that were not fulfilled.

Additionally, the problems we found with the reported outputs means that Rocky Mountain published inaccurate information in its annual reports for both 2017 and 2018 that detailed how the organization spent the dedicated property tax funds. Denver Human Services and other community stakeholders rely on these reports to track Rocky Mountain’s progress on meeting the agreed-upon goals in each subcontract.

The contract with Denver Human Services required Rocky Mountain to perform services in accordance with all City requirements and laws. Specifically, Rocky Mountain was required to monitor subcontracts in accordance with Executive Order 8. As mentioned, this City policy requires contract monitoring to be one of the City’s highest administrative priorities. It also requires agencies that initiate a contract to monitor whether a subcontractor fulfills the terms of the contract. The executive order explains that the contract monitoring should include both a method to ensure the terms of the contract are met and a method to document the monitoring process.

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We found Rocky Mountain lacks the necessary policies and procedures to comply with Executive Order 8.

**RECOMMENDATION 2.2**

**Improve Monitoring of Special Projects Subcontracts** – The executive director of Rocky Mountain Human Services should establish and implement policies and procedures to ensure subcontractor expenses are accurate and that agreed-upon goals in the subcontracts are fulfilled.

**Agency Response:** Agree, Implementation Date – December 31, 2019

**Rocky Mountain Human Services Should Continue to Improve How It Verifies Residency**

Both the City ordinance and the contract between Denver Human Services and Rocky Mountain require the individuals served by the property tax revenue to be Denver residents. However, as part of analyzing Rocky Mountain’s various departments and programs that received the tax money, we found various residency violations across multiple departments and programs. Specifically, the Unmet Needs Program, the Client Assistance Program, the Children’s Clinical Department, and the Behavioral Health Department provided Denver taxpayer-funded services to non-Denver residents.

**Behavioral Health Department** – Before Rocky Mountain terminated its Behavioral Health Department in November 2018, the department had two clinicians whose salaries were paid using the dedicated property tax dollars. Because of this funding source, any individuals they served needed to be Denver residents.

However, when we checked the residency of all 106 individuals who received behavioral services in 2018, we found 51 of them lived outside Denver. We could also not verify the residency for another 16 because of a lack of documentation. Therefore, 63 percent of the individuals served by Behavioral Health were ineligible, under both the City ordinance and the contract.

Rocky Mountain’s management was aware its Behavioral Health Department served non-Denver residents and worked to correct this issue by shutting down the department. The organization officially closed this department in November 2018 because of the prevalence of non-Denver residents the department had served.

When we discussed the residency concern with Rocky Mountain, officials said the nonresidents brought in additional revenue through the billing of third-party sources, such as private insurance and Medicaid.
Specifically, Rocky Mountain brought in about $41,000 in revenue by billing third-party funders for services provided to non-Denver residents. Rocky Mountain managers said they used the revenue generated from serving non-Denver residents to partially offset the salary costs of the two clinicians. In turn, Rocky Mountain requested less in expense reimbursements from Denver Human Services than it would have had Rocky Mountain served only Denver residents.

Rocky Mountain claimed no Denver residents were turned away from receiving services. However, they could not provide evidence to support this. Therefore, the risk still remained that time spent serving non-Denver residents may have prevented residents from being served.

Because Rocky Mountain management closed the Behavioral Health Department in November 2018, we make no recommendation.

**Unmet Needs Program, Client Assistance Program, and Children’s Clinical Department** – We identified three instances across the Unmet Needs Program, the Client Assistance Program, and the Children’s Clinical Department in which individuals who lived outside Denver received services paid for with the City’s tax dollars. Table 3 provides a breakdown of what we found.

<table>
<thead>
<tr>
<th>Department or Program</th>
<th>Sample Size</th>
<th>Number of Residency Violations</th>
<th>Value of Services Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unmet Needs Program</td>
<td>25 Clients</td>
<td>1 Non-Resident Client</td>
<td>$2,048</td>
</tr>
<tr>
<td>Client Assistance Program</td>
<td>25 Clients</td>
<td>1 Non-Resident Client</td>
<td>$4,560</td>
</tr>
<tr>
<td>Children’s Clinical Department</td>
<td>25 Clients</td>
<td>1 Non-Resident Client</td>
<td>$10</td>
</tr>
</tbody>
</table>

**TABLE 3. Summary of Residency Issues**

Source: Auditor’s Office analysis of information provided by Rocky Mountain Human Services.

Rocky Mountain’s use of Denver tax dollars to serve non-Denver residents violated both its contract and City ordinance. And by doing this, Rocky Mountain reduced the available tax dollars that could have helped Denver residents.

During conversations with Rocky Mountain management, we learned there was a misunderstanding of how to verify individuals’ residency. As of early 2018, Rocky Mountain was under the assumption that as long as an individual’s mailing address included Denver, that person was a Denver resident. However, this was a wrong assumption, because not all
addresses listing Denver as the city are, in fact, located within the City’s boundaries.

As shown in Figure 6, the three nonresidents served all listed Denver in their address, but they resided well outside Denver’s boundary.

FIGURE 6. Where Nonresidents Receiving Denver Taxpayer-Funded Services Actually Live

[Map showing Denver and Adams County with a red circle indicating locations in Adams County.]

Source: Illustration designed by Auditor’s Office staff.

Following communication between Rocky Mountain and Denver Human Services about the residency concerns, Denver Human Services in April 2018 provided Rocky Mountain with a clarifying procedure on how to verify residency. Denver Human Services now requires Rocky Mountain to use the Denver Assessor’s website to determine an individual’s residency.

However, despite this guidance, we found two of the three residency violations happened after Denver Human Services provided its clarification. The timing indicates that not only was there a misunderstanding of how to verify residency, but Rocky Mountain also did not follow the correct procedure to ensure the correct boundary is applied before approving services paid for with Denver tax dollars.
RECOMMENDATION 2.3

Verify Residency – The executive director of Rocky Mountain Human Services should ensure staff are aware of the residency requirement for Denver’s dedicated property tax dollars and of Denver’s city boundaries. Additionally, the executive director should ensure Rocky Mountain personnel verify all addresses for individuals receiving services with the City’s property tax dollars and that Rocky Mountain personnel should do so using an accurate map of Denver, such as the one managed by the Assessor’s Office.

Agency Response: Agree, Implementation Date – Completed

Rocky Mountain Human Services Failed to Provide the Correct Level of Service for Denver Residents

As discussed in the background, service coordinators provide case management services to Denver residents with intellectual and developmental disabilities. As outlined in state law, all community-centered boards across Colorado must:16

- Assess the needs and preferences of the individuals they serve;
- Develop a service plan outlining services and supports;
- Ensure individuals receive the services and supports in their service plan; and
- Monitor the services and supports those individuals receive.

In addition to receiving funds from the state for these services, Rocky Mountain also uses City funds to help cover the cost of these services for Denver residents. We found Rocky Mountain service coordinators failed to provide the correct level of service including failing to document the required communication with residents and failing to document progress toward meeting individuals’ needs. Because of this, the City helped pay for services that were not provided and Rocky Mountain did not have assurance that residents received the services they needed.

Rocky Mountain has internal policies and procedures to guide service coordinators in providing case management services to Denver individuals. These list what Rocky Mountain service coordinators must do to provide proper case management, including that:

- Service coordinators must discuss services with the individuals they serve throughout the year.
- Service coordinators in the Early Intervention Department must

Service coordinators must contact the individuals they serve in the waiver program once per quarter.

In addition to the service plan for state-funded services, service coordinators must create a second service plan for all Denver residents they serve with Denver’s dedicated property tax revenue—called a “mill levy service plan.” The service coordinator must monitor the services outlined in both plans. (Mill levy service plans include any services not covered by an individual’s other funding sources, such as additional levels of service not covered by private insurance or Medicaid.)

To determine whether Rocky Mountain’s service coordinators complied with the organization’s policies and procedures for case management, we selected a random sample of 25 Denver residents who received case management services during 2018. The sample included 15 individuals who received services in the Early Intervention Department and 10 individuals who received services in a waiver program.

We found:

- Six instances among the Early Intervention cases in which the service coordinator failed to document communication with the child’s parent or legal guardian. In one instance of those six, a service coordinator failed to document any communication with the child’s parent or guardian for four months.

- Five instances among the waiver program cases in which the service coordinator did not communicate with the individuals as required. In one instance, a service coordinator documented in log notes that they spoke with the individual receiving service, but the narrative discussed a different individual. In another instance, a service coordinator failed to document two of the four meetings they were required to have with individuals.

- Of the 10 individuals in the waiver programs, three received additional services through their service plans. But, in all three instances, the service coordinator failed to document whether the individual’s service needs were met and whether any changes were needed.

Rocky Mountain recently implemented a review process in response to a November 2018 audit by the state auditor. This review is meant to ensure service coordinators perform their necessary duties. It checks 1) whether service coordinators documented all required communications with the Denver residents they serve, 2) whether service coordinators...
documented their review of the property tax-funded services the individuals received, and 3) whether service coordinators completed a service plan for each person.

The review identified problems with service coordinator documentation. We analyzed the results of Rocky Mountain’s internal review of its service coordinators, and Table 4 details the issues we found.

### TABLE 4. Summary of Rocky Mountain Human Services’ Internal Review of Service Coordinators

<table>
<thead>
<tr>
<th>Objectives of Rocky Mountain Human Services’ Internal Review Objectives</th>
<th>Issues Auditors Found that Rocky Mountain Identified During Its Internal Review</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective 1:</strong> Determine whether service coordinators documented all required communications with each Denver resident they serve.</td>
<td>18 of 62 reviews—29 percent—noted issues with communication. This indicates a service coordinator either missed or did not document at least one of the required quarterly meetings with the individuals they serve.</td>
</tr>
<tr>
<td><strong>Objective 2</strong>: Determine whether service coordinators documented a review of all services received by the individuals they serve with Denver’s dedicated property tax revenue.</td>
<td>In July-September 2018, 72 of 858 case files—8 percent—lacked an update on services paid for with Denver’s property tax revenue. It was the same for 214 of 851 case files in October-December 2018.</td>
</tr>
<tr>
<td><strong>Objective 3:</strong> Determine whether service coordinators completed a mill levy service plan for each Denver resident they serve.</td>
<td>19 of 409 case files—5 percent—did not have a mill levy service plan.</td>
</tr>
</tbody>
</table>

**Source:** Auditor’s Office analysis of Rocky Mountain Human Services’ internal reviews.

**Note:** * Objective 2 was not part of Rocky Mountain’s internal review until July 2018.

The problems we identified are important for several reasons:

- When Rocky Mountain’s service coordinators fail to deliver case management services to Denver residents, the City pays Rocky Mountain for services its residents do not receive.

- When service coordinators do not communicate with the individuals they serve, the individual’s services could become outdated. For instance, if an individual wanted to increase therapy services or change service providers but their service provider did not communicate with them as required, that person’s needs might be delayed or go unmet.

- When service coordinators fail to document communication, Rocky Mountain risks losing valuable information on an individual if a service coordinator leaves the organization or gets reassigned to a different person.

- Lastly, when service coordinators do not create mill levy service plans for how they will spend Denver’s dedicated property tax revenue, individuals who have needs beyond what federal
aid pays for might not be offered programs available to them through the City money.

Rocky Mountain staff said they lack the necessary internal controls to ensure they meet the requirements for the Denver residents they serve. While Rocky Mountain can correct these problems going forward, there is no way to make up for services the coordinators did not previously provide.

**RECOMMENDATION 2.4**

Ensure Consistent Delivery of Case Management Services – The executive director of Rocky Mountain Human Services should implement internal controls to ensure the organization’s personnel comply with all requirements for serving Denver residents using the City’s dedicated tax dollars. This could take the form of alerts in case management system software that notify service coordinators of upcoming requirements prior to applicable deadlines.

Agency Response: Agree, Implementation Date – December 31, 2019

Rocky Mountain Human Services' Client Assistance Program provides personalized and immediate assistance to Denver residents with intellectual and developmental disabilities who have a need. Common requests from individuals include items such as adaptive equipment, copays for therapy services, or a mattress for a child with a disability.

Rocky Mountain has several requirements for individuals’ requests. For instance, requests are to be approved by Rocky Mountain only when all other funding sources are exhausted. The internal procedures do not require service coordinators to document whether funds were exhausted. This precluded us from verifying whether the service coordinators satisfied this requirement in all cases. Additionally, under internal policy, some commonly requested items are not allowed to be bought through the program funds, such as rent and utility assistance. And, because the Client Assistance Program is wholly supported by Denver’s dedicated tax dollars, all recipients of program funding must be Denver residents with an intellectual and developmental disability.

We randomly selected a sample of 25 requests made and approved through the Client Assistance Program during 2018. We found problems with 10 of them. Specifically:

- Nine requests did not document whether other funding sources could pay for the request, and
• One request was approved for a person who did not have documentation of an intellectual and developmental disability.

We also checked whether requests were approved for items on Rocky Mountain’s list of prohibited items. This revealed 18 requests—totaling $17,476—that paid for individuals’ rent and utility assistance, both of which are prohibited costs.

When service coordinators do not document whether other funding sources could cover the cost of a request, there is an increased risk Denver taxpayers’ money could be incorrectly spent. Additionally, paying for prohibited items or for services for individuals who do not have an intellectual and developmental disability violated City ordinance and reduced the pool of tax dollars available for eligible individuals.

Rocky Mountain’s policies and procedures contain a review process for all Client Assistance requests. However, our testing showed that Rocky Mountain’s review process lacked adequate controls to ensure its Client Assistance Program used Denver tax dollars in alignment with the program’s policies and procedures.

The U.S. Government Accountability Office offers relevant guidance on the creation of internal controls.

RECOMMENDATION 2.5

Ensure Appropriateness of Client Assistance Program Payments – The executive director of Rocky Mountain Human Services should implement internal controls to ensure payments through the Client Assistance Program are made only after all other funding sources have been exhausted, are not used to buy prohibited items, and are made to benefit only a Denver resident with an intellectual and developmental disability.

Agency Response: Agree, Implementation Date – December 31, 2019

When the services offered through a federal or state waiver fail to completely meet an individual's needs, Rocky Mountain Human Services' Unmet Needs Program can help that person receive additional funding for services related to their intellectual and developmental disability. Using Denver's dedicated property tax dollars, Rocky Mountain uses its Unmet Needs Program to fill gaps left by these exhausted waivers.

To access the Unmet Needs Program's resources, Rocky Mountain service coordinators must first assess whether an individual needs additional services beyond those covered by federal and state waivers. As part of this assessment, Rocky Mountain coordinators fill out a "prior authorization request." According to Rocky Mountain's internal policy, this request serves to list:

- The types of services an individual is approved to receive from an outside vendor;
- The permitted number of "units of service"—expressed typically as a total number of hours, days, or visits—that the individual has; and
- The time frame—expressed in days or months—in which the individual must use those approved services.

When we analyzed whether prior authorization requests matched the invoices of services provided, we found one instance when an individual received a higher level of service than what they were authorized to receive. We also found dozens of instances when invoices were being matched against incorrect prior authorization requests, which meant individuals could have received more or less services than they were authorized to receive.

Rocky Mountain's internal policies and procedures also lay out the steps service coordinators must follow to properly account for an individual's used and unused units of service.

Specifically, when an individual receives services, the provider sends an invoice to Rocky Mountain, informing the organization of the date, type of service, and number of units of service provided. Rocky Mountain then matches the invoice with the individual's prior authorization request. If the date of service and type of service match the request, and the individual has units of service remaining on the authorization, Rocky Mountain processes the invoice for payment.

Figure 7 on the following page depicts a hypothetical example illustrating this process.
We examined transactions made through the Unmet Needs Program to test whether expenses were properly authorized. We discovered two issues.

- First, we randomly sampled 25 program expenses and identified one expense in which the services listed on the prior authorization request did not match the services received by the individual. Specifically, the individual was authorized to receive a basic level of services related to independent and community living when, in fact, the individual received a higher level of services. We also found that this individual was authorized to receive group behavioral counseling but, instead, received individual behavioral counseling. This was more expensive than the services they were authorized to receive.

- Second, we looked at all 4,081 requests for 2018 to see whether Rocky Mountain properly matched service provider invoices with an individual’s prior authorization request. We found issues with just over 2 percent of this population.
Specifically, we found:

- 81 instances in which Rocky Mountain matched invoices with prior authorization requests that had expired; and
- 10 instances in which Rocky Mountain matched invoices with prior authorization requests that had time frames that had not yet started.

Paying invoices that did not match a prior authorization request leads to a misuse of Denver’s tax dollars. In the instance above, in which the service provider’s invoice billed for a higher level of service than was authorized, Rocky Mountain spent more tax dollars on the individual than what was approved.

Similarly, in the 81 instances in which invoices were matched with expired authorization requests, the quantity of service units was incorrectly deducted as the individual received their services. This means individuals could have received more units than were authorized. In the 10 instances in which invoices matched authorization requests that had not yet started, individuals could have received a lesser amount of services than authorized.

The two issues we identified in the Unmet Needs Program were the result of an oversight in the software system Rocky Mountain uses to match service provider invoices with prior authorization requests. Specifically, Rocky Mountain believed the software automatically verified whether an invoice matched a prior authorization request, and that the software would flag any mismatches.

However, as our work identified, either this software control was never properly designed, or it failed to operate as intended. Even though we found issues with only 2 percent of the population, the expectation is that there would be 100 percent accuracy because it is an automated control.

RECOMMENDATION 2.6

Implement Automatic Verification in Invoice Software – The executive director of Rocky Mountain Human Services should ensure the software system used to process service providers’ invoices can identify instances when dates of service, types of service, or available units of service listed on the invoice do not match an individual’s prior authorization request.

Agency Response: Agree, Implementation Date – Completed
Rocky Mountain Human Services’ Family Support Services Department Did Not Properly Approve Spending for Services

Rocky Mountain Human Services’ Family Support Services Department provides support for families with children who have intellectual and developmental disabilities. To avoid placing a child in a care facility, a family can help provide care and support to their child. But doing so can impose a financial burden beyond what the family and other sources of funding can cover. Denver’s dedicated property tax dollars can help cover the gap left once other funding sources have been exhausted.

This department prioritizes funding based on a child’s level of need. Service coordinators use a “most in need” assessment to identify each child’s level of need, based on factors such as mobility, communication, and safety skills. Rocky Mountain has an internal review process that its personnel should follow before funding requests. When families or caregivers make funding requests for services, service coordinators must ensure the requested amount corresponds with a child’s assessed level of need.

Table 5 details the three levels of need and the maximum amount of funding for each level.

<table>
<thead>
<tr>
<th>Level of Need</th>
<th>Maximum Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Need</td>
<td>$3,000 per month</td>
</tr>
<tr>
<td>Moderate Need</td>
<td>$1,500 per month</td>
</tr>
<tr>
<td>Low Need</td>
<td>$750 per month</td>
</tr>
</tbody>
</table>

**Source:** Auditor’s Office analysis of Rocky Mountain’s policies and procedures.

For instance, if a child has a “low need,” their family’s or caregiver’s approved request cannot exceed $750 per month. Additionally, for the child to receive Denver’s dedicated property tax dollars, service coordinators must ensure other funding sources cannot cover the requested service. Lastly, if a child received Denver tax dollars for a previous service request, then their family or caregiver must submit receipts for those services before getting approval for more requests.

We randomly selected 25 requests to check whether they had proper approval and found that:

- In 24 of the 25 requests, service coordinators did not document whether other sources of funding were available to cover the cost of the request.
- One child’s family received more dollars than allowed for their level of need. This child had a “low need,” for which the
maximum funding amount is $750 per month. However, the child’s family received $1,000 for their service request.

- One child’s family received approval for a new service request without submitting receipts for previous services of the same variety.

When service coordinators do not document whether other funding sources could cover the cost of a service request, Denver’s dedicated property tax dollars might be spent unnecessarily. Furthermore, when requests are approved for amounts above a child’s level of need, it reduces the amount available for other children who need assistance.

The requirement to submit receipts for past requests before getting approval for new requests is a process meant to ensure both the service provider and the family or caregiver are held accountable. If a family or caregiver does not submit a receipt for a professional service, Rocky Mountain cannot verify whether they spent Denver tax dollars as intended. Therefore, when service providers approve requests without receiving prior receipts beforehand, Denver funds spent on both requests might be unaccounted for.

These problems are the result of Rocky Mountain performing cursory reviews during its approval process. While management independently reviews each request completed by a service coordinator, the approval process does not ensure employees meet all required components of a request. For instance, Rocky Mountain staff said that, although their policy states other funding sources should be used before requesting Denver tax dollars, service coordinators were not required to document that they checked for this.

By the service coordinators not documenting that this review was performed, it increases the risk that this verification could be overlooked. The only way for Rocky Mountain to ensure this verification is, in fact, performed is for the service coordinators to document in each case that they did so. As discussed, the U.S. Government Accountability Office offers guidance on creating internal controls to ensure transactions are completely and accurately recorded and that such documentation is readily available for examination.\textsuperscript{19}

RECOMMENDATION 2.7

Improve Approval Process for Family Support Services – The executive director of Rocky Mountain Human Services should ensure service coordinators document whether other funding sources were exhausted before approving money from family support services. The executive director should also strengthen the existing approval process, such as requiring secondary reviews, to ensure all funding is disbursed in accordance with Rocky Mountain’s policies and procedures.

Agency Response: Agree, Implementation Date – December 31, 2019
FINDING 3

Rocky Mountain Human Services’ Decision-Making When Interacting with Its Community Advisory Council Lacks Transparency

The contract with Denver Human Services requires Rocky Mountain Human Services to establish a Community Advisory Council. The council strives to include various stakeholders, such as individuals with an intellectual and developmental disability, family members of individuals with an intellectual and developmental disability, and professional service providers.

According to the contract with Denver Human Services, the council provides input, ideas, and feedback to Rocky Mountain’s managers and to its board of directors as to how Denver’s dedicated property tax money should be spent. Rocky Mountain’s policy for funding special projects states that this includes the council advising Rocky Mountain on the review and selection of special projects. The council functions in an advisory capacity only and all decision-making authority is retained by Rocky Mountain’s management and its board of directors.

However, we found that Rocky Mountain Human Services management is not explaining to the advisory council—in writing—its rationale for awarding funds to special projects.

During a selection process, the advisory council reviews proposed special projects and evaluates whether they meet Rocky Mountain’s priority areas. The council also assesses how effective the project would be in serving Denver residents with intellectual and developmental disabilities. The council then provides Rocky Mountain managers and its board with feedback by recommending they either accept or reject each project.

Rocky Mountain received 41 project proposals in fall 2018, from which they could select for the 2019 project cycle. We found 11 instances in which the decision Rocky Mountain’s management made differed from the council’s recommendation. This included:

- Five instances in which the council recommended approving a project, but Rocky Mountain did not award any funding; and
- Six instances in which the council recommended rejecting a project, but Rocky Mountain awarded it funding.

While Rocky Mountain management retains all decision-making authority and acted accordingly, the organization still has an obligation—under the Community Advisory Council’s charter—
to provide its advisory council with written responses to their recommendations.

However, Rocky Mountain did not provide those required written responses to any of the advisory council’s recommendations when choosing its 2019 special projects. While Rocky Mountain did provide the council with a list of projects it selected to fund, managers did not explain the rationale as to why they chose specific projects.

Additionally, we surveyed five of the six advisory council members to assess their views and perceptions of the relationship between the council and Rocky Mountain Human Services. When asked whether Rocky Mountain included the council’s input in its funding decisions, two of the five members disagreed—with one of those two strongly disagreeing. A third councilmember was undecided.

Rocky Mountain did not provide written responses because its management did not sufficiently prioritize this charter requirement. Failing to provide written responses increased the perception that Rocky Mountain’s management did not give the council members’ input due consideration. For instance, one of the special project subcontractors we evaluated as part of this audit was not recommended for funding by the council but was funded by Rocky Mountain. Not receiving a written response could have contributed to the council feeling their input was not taken into consideration.

According to BoardSource, a national organization that provides guidance in nonprofit board leadership, one best practice is to ensure there are “mechanisms for communication and opportunities for dialogue between the governing board and the advisory council.”

By memorializing in writing the rationale as to why Rocky Mountain did or did not select a project, management would meet the spirit of the charter and promote transparency and trust, which could improve communication with its council.

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20 The sixth council member did not join the Community Advisory Council until January 2019, so they were not a council member during the period we audited. Therefore, we did not include them in our survey.

RECOMMENDATION 3.1

Enhance Communication and Transparency – The executive director of Rocky Mountain Human Services should make it a priority to respond to the Community Advisory Council’s recommendations in writing. At a minimum, such responses should explain why Rocky Mountain selected certain projects and not others, particularly when decisions deviate from the council’s recommendations.

Agency Response: Agree, Implementation Date – December 31, 2019
RECOMMENDATIONS

NOTE: An auditor’s addendum follows the agency narrative for the recommendations to which Denver Human Services disagreed. Please see pages 66-68 for a compilation of the Auditor’s Addenda. The addenda below follow each related recommendation.

1.1 Enforce Contract Reimbursement Requirement – The executive director of Denver Human Services should enforce the reimbursement provision of its contract with Rocky Mountain Human Services. The executive director should also disallow the reimbursement of expenses that Rocky Mountain does not adequately support with evidence.

Agency Response: Disagree

Agency Narrative: It is significant to note at the outset that the Denver Auditor’s Office audit testing identified no fraud, waste, or abuse in these programs, but instead identified opportunities to cultivate best practices. Indeed, the audit found DHS paid RMHS to fund critical services for people with intellectual and developmental disabilities as intended. It is important to clarify the differences between the 2013 – 2017 contract and exhibit (including the six-month bridge contract) and the present July 1, 2018 – December 31, 2020, contract and exhibit, which are detailed in Exhibit A of each contract (please see attached exhibits). Understanding the differences between the contracts is fundamental to understanding the differences in the required documentation to support reimbursement and thus forms the basis for DHS’ disagreement with Finding 1 as associated with Recommendations 1.1 and 1.2.

The 2013 – 2017 contract was based upon a gap funding model to implement the voter-initiated ordinance passed in 2003. The contract was written and approved to allow the mill levy funds to be used to enhance and/or expand services and supports otherwise funded by state or federal funding sources. These programs included Early Intervention, Life Skills and Support, Special Projects, Behavioral Health, Service Coordination and Outreach and Communications. The programs served thousands of people with intellectual and developmental disabilities over the years and demonstrated high levels of satisfaction among the program beneficiaries. Reimbursable expenditures under this model required demonstration, by expense category, that services or programs were offered, what they cost, and the mill levy portion of those costs vs. the state and federal portions.

The 2015 audit of RMHS by the Denver Auditor’s Office did not find fault with the gap funding model, but rather found that the RMHS programs were not just serving Denver residents. While neither the voter-initiated ordinance nor the contract specified that services and supports would only be provided to individuals residing in Denver, it became important to all involved, including leadership at DHS, to ensure that the Denver mill levy funds were serving Denver residents exclusively. As a result, DHS identified that the gap funding model was insufficient to meet this goal and made significant changes to the reimbursement process to address this issue.

DHS disagrees with the assertion now being made in the current audit that gap funding
violated fiscal accountability rules or contracts in place with RMHS during the audit period, or that funds reimbursed through this model were incorrectly reimbursed. DHS does agree, however, that the vast changes that DHS made to the reimbursement process reflected in the present contract and exhibit have addressed the shortcomings of the prior practice of gap funding and have greatly improved the benefits to Denver residents overall.

The audit states at page 10, “In addition to the contract itself, one of the City’s Fiscal Accountability Rules requires support documentation for every financial transaction.” DHS does not agree with their interpretation of Fiscal Accountability Rule 2.5, which, per the rule, applies to “accounting transactions recorded in the financial system of record.” DHS reads Fiscal Accountability Rule 2.5 as requiring documentation for the basis of a City transaction, such as an invoice for the payment to a contractor. The audit extrapolates what DHS believes is required for every City transaction to every cost a contractor incurs as part of its contract with the City. This interpretation would require every single cost incurred by RMHS as part of its contracts with DHS to be substantiated with support documentation before payment, which does not appear to be the intent of Fiscal Accountability Rule 2.5. It would negate sampling as a legitimate method of invoice review and approval. This would not only be an inefficient use of DHS resources but would also significantly increase costs, delay payments, and reduce funds available for direct services to families.

As to the findings in the current audit surrounding billing practices, the present contract and exhibit establish a completely different process for reimbursement to RMHS. The new process is based upon a fee-for-service model and reimbursement of agreed upon expenditures. Documentation of expenditures under the new model is necessarily different than that for a gap funding model. It requires evidence tying expenditures to specific, agreed upon mill levy funded services and supports for Denver residents. Additional support for reimbursement is provided through DHS’ monitoring of over thirty performance metrics each month. To clarify, both funding models and contracts required that RMHS submit expenditure reports and maintain documentation for review or audit, but the content of the reports and documentation under the different contract models was necessarily different.

Although DHS plans to further examine and strengthen processes taking into consideration suggestions made in the present audit, DHS does not agree that existing invoice review and payment practices are inadequate or conflict with the provisions of the contract terms or hinder the ability to disallow reimbursement of expenses. Indeed, the audit found that DHS has done just that – withheld $132,400 for November and December of 2018 pending receipt of adequate source documentation. DHS will continue to enforce the reimbursement provisions through sampling source documentation. Sampling is a commonly accepted, allowable method of expenditure verification and risk management. The method complies with fiscal accountability rules, the contract, and Exhibit A. DHS will continue to refine reimbursement processes through coordinated efforts between the compliance staff that initiate reimbursements and internal audit staff performing audits.

Through contract provisions that allow DHS to be responsive to identified concerns related to invoicing, the current payment process was designed to reduce the possibility that critical services to Denver residents with intellectual and developmental disabilities would be disrupted, given the volume and complexity of the underlying transactions. DHS initiates
payment for the invoice total less the amounts being sampled; payment for the sampled amounts is initiated once appropriate source documentation is received. DHS will develop a process to formally communicate and track documentation issues identified through the invoice sampling process to inform risk assessments and future audit scopes/sample sizes for the department’s internal auditor. DHS agrees to continue to hold payment for invoice line items of sampled programs until adequate supporting source documentation is received and will follow the contract’s requirements to ensure repayment from RMHS when issues with invoice documentation are identified during the department’s audit process. Furthermore, DHS will continue to withhold payment and seek the return of any reimbursement deemed improper or otherwise disallowed under the contract, law or ordinance.

DHS will continue to work through clarifications with RMHS on the kind of source documentation necessary to support payment when differences in understanding are identified. Documentation requirements are captured in Exhibit A of the current RMHS contract and any additional clarifications are documented during the year as identified. The Exhibit A section that outlines documentation expectations is updated at the start of each new contract term to reflect the latest budget and scope of work, including specific source documentation for each program expense category.

**Auditor’s Addendum:** Denver Human Services stated in its narrative to Recommendation 1.1 that our audit identified opportunities to cultivate best practices. However, we believe all recommendations under Finding 1 directed at Denver Human Services are not just best practices but are necessary actions to ensure compliance with the City ordinance, City Fiscal Accountability Rule 2.5, and the provisions of its contract with Rocky Mountain Human Services.

Denver Human Services' narrative to Recommendation 1.1 inaccurately states that the contract language related to the required support documentation varies between the contract in place during the first 18 months of the audit period and the contract in place during the last six months of the audit period. Figures 9 and 10 in Appendix C contain excerpts from both contracts detailing the documentation that must support expenses submitted for reimbursement. As seen in the two figures, the language is similar between the contracts. Under the language contained in these two sections, a reimbursement process like gap-funding would not be allowed under either contract that was in effect during the audit period. By allowing Rocky Mountain to use a gap-funded process, Denver Human Services could not validate whether reimbursements were accurate or used for the benefit of a Denver resident with an intellectual and developmental disability—both of which are required under the ordinance and the contract. Denver Human Services even acknowledged in its narrative that gap-funding is insufficient to meet the requirement that only Denver residents receive dedicated tax funds, and the agency made significant changes as a result.

Further, Denver Human Services stated in its response that neither the voter-initiated ordinance nor the contract specifies that only Denver residents receive dedicated property tax funds. Figures 11 through 14 of Appendix D show that the residency requirement is included in the 2017 ordinance, each of the contracts under audit, and Initiative 100. Based on this well-defined residency requirement, gap-funding should have not been permitted by Denver Human Services.
Fiscal Accountability Rule 2.5 is a City rule that makes gap-funding an unacceptable method of reimbursement. Rule 2.5 requires that every financial transaction be supported by documentation. Supporting documentation is used to corroborate the data recorded in the City’s general ledger. However, Denver Human Services stated in its narrative that Rule 2.5 does not apply to its financial transactions with Rocky Mountain. Additionally, Denver Human Services stated that Rule 2.5 would be applicable in situations where a City transaction involves an invoice being paid to a contractor. We believe Denver Human Services’ example is exactly what is occurring between Rocky Mountain and Denver Human Services. Rocky Mountain’s monthly reimbursement requests serve as invoices being submitted by a contractor of the City. As seen in the general ledger report pulled from the City’s financial system in Table 7 of Appendix E, Rocky Mountain’s reimbursement payments are recorded like other City transactions. Therefore, Rule 2.5 is relevant.

We agree with Denver Human Services that verifying the source documentation for 100 percent of expenses in each reimbursement request would be an inefficient use of resources. Recommendations 1.1 and 1.2 do not prevent Denver Human Services from sampling expenses. However, the gap-funding method prevented Denver Human Services from being able to verify that source documentation ties to a specific service for a Denver resident with an intellectual and developmental disability. This means that under gap funding Denver Human Services could not sample any expenses and, therefore, could not comply with Rule 2.5. Because of this, Recommendation 1.1 is to ensure Denver Human Services’ reimbursement method is consistent with the reimbursement provisions of the contract and is consistent with Rule 2.5 while utilizing a sampling approach.

The purpose of Recommendation 1.2 is for Rocky Mountain and Denver Human Services to work together to better understand what documentation should be submitted for the expenses to be validated. Our testing showed that Denver Human Services denied payments for 100 percent of what it examined in November and December of 2018 and questioned $513,000 of what was examined in October 2018—all due to a lack of appropriate source documentation. This indicates that the two entities lack an agreement as to what constitutes adequate source documentation. Recommendation 1.2 is meant to rectify this.

1.2 **Implement Process for Invoice Review** – The executive director of Denver Human Services should work with Rocky Mountain Human Services to agree on the kind of source documentation necessary to validate expenses for any department included on Rocky Mountain’s monthly reimbursement request.

**Agency Response: Disagree**

**Agency Narrative:** Please see response to recommendation 1.1 above.

**Auditor’s Addendum:** Denver Human Services referred to its response for Recommendation 1.1 to address Recommendation 1.2. The auditor’s addendum for Recommendation 1.1 also addresses Recommendation 1.2.
1.3 **Verify Accuracy of Special Project Outputs** – The executive director of Denver Human Services should establish procedures for monitoring the agreed-upon goals stated in Rocky Mountain Human Services’ subcontracts.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: DHS agrees to support RMHS in their monitoring of external agency initiatives subcontractors. DHS will provide guidance and continue to discuss the performance of external agency subcontractors with RMHS in order to enhance oversight of program goals. As further monitoring is deemed necessary by the risk-based assessment process developed through recommendation 1.4 below, DHS will exercise its powers under the contract to review or audit the performance of the external agency initiatives under contract with RMHS for mill levy funded services.

1.4 **Develop an Annual Risk Assessment Process** – The executive director of Denver Human Services should ensure its Internal Audit Division establishes and implements an annual risk assessment process related to its contract with Rocky Mountain Human Services.

**Agency Response: Agree, Implementation Date – October 31, 2019**

Agency Narrative: The DHS Internal Audit Division will work closely with DHS management, DHS Mill Levy Program Manager, and RMHS management to establish and implement a risk-based assessment process related to its contract with RMHS. This process will be conducted on an annual basis to assist with the identification and prioritization of audits to be conducted related to the contract.

1.5 **Ensure Proper Use of Taxpayer Funds** – The executive director of Denver Human Services should ensure taxpayer dollars dedicated to helping those with intellectual and developmental disabilities are not spent to perform internal audit work unrelated to the contract with Rocky Mountain Human Services.

**Agency Response: Disagree**

Agency Narrative: In 2017, City Council approved Ordinance No. 20161071 which outlines permitted uses of mill levy revenue dedicated to serving people with intellectual and developmental disabilities and expanded those uses to include additional contracting opportunities beyond the existing contract with RMHS. The ordinance designates administrative funds in order to administer and enforce any city contracts associated with the fund. While DHS agrees it is important to ensure mill levy funds are dedicated to helping people with intellectual and developmental disabilities, the department anticipates additional contracts for mill levy funded services with entities other than RMHS. Any additional mill levy service contracts could be audited by the department’s internal auditor as part of DHS oversight of the use of mill levy funds. Therefore, DHS disagrees with Recommendation 1.5.

Additionally, DHS disagrees that anywhere near $14,400 in dedicated mill levy funds were spent on unrelated projects or assignments. In this instance, DHS reviewed and verified that this assignment, completed in a minimal amount of time over the course of two months,
was a professional development opportunity to be conducted during downtime with RMHS assignments in 2017. Professional development is considered part of the internal auditor’s core responsibilities.

The DHS Performance Improvement and Accountability Division Director and Internal Audit Supervisor will work to ensure that the dedicated internal auditor assigned to monitoring mill levy services contracts will not be assigned other projects unrelated to mill levy funded services. In the rare event that circumstances arise where it is determined necessary to assign the internal auditor to other project(s) unrelated to mill levy service contracts, the department’s internal auditor will be instructed to track and report their time spent on each project to ensure that any time spent on unrelated projects is not paid out of mill levy funding.

**Auditor’s Addendum:** In their narrative to Recommendation 1.5, Denver Human Services officials state they disagree that anywhere near $14,400 of dedicated property tax funds was spent on projects unrelated to their contract with Rocky Mountain. Our testing work showed that the unrelated assignments for the internal auditor occurred during the months of August and September 2017. We requested documentation from Denver Human Services to show exactly how many hours were allocated to the unrelated project, but Denver Human Services could not provide evidence of the exact amount.

Because of this, we calculated the compensation paid to the internal auditor for both August and September to quantify the maximum amount of property tax funds that may have been for purposes that cannot be funded with mill levy monies. To identify this amount, we analyzed the property tax fund payments associated with the internal auditor position. Payments to the internal auditor covering the months of August and September 2017 were included in a payment period covering the months of July 2017 through December 2017. We prorated the total amount of compensation earned over the entire six-month period to account for two months out of the six months. This calculation gave us the maximum amount, $14,400, that would have been associated with the two-month period in which the internal auditor worked on unrelated assignments. Therefore, in the report we state that Denver Human Services incorrectly paid as much as $14,400 of property tax funds to work unrelated to its contract with Rocky Mountain.

Denver Human Services officials also state in their narrative to Recommendation 1.5 that this assignment was a professional development opportunity. Our testing work did not state the internal auditor could not participate in professional development opportunities. However, according to the City ordinance, funds from the dedicated property tax can be used only for specific purposes. One of these purposes is to administer and enforce the contract with Rocky Mountain Human Services. Therefore, Denver Human Services cannot use dedicated property tax funds to pay for time spent on unrelated projects, including professional development.

Despite its response of “disagree,” Denver Human Services acknowledges in its response the restrictions of the dedicated property tax funds outlined by the City ordinance and agrees to ensure payments from these funds go toward only time spent on its contract with Rocky Mountain.
1.6 **Enforce Contract Requirements for Budget Changes** – The executive director of Denver Human Services should ensure all department personnel responsible for overseeing the contract with Rocky Mountain Human Services have a complete understanding of the contract’s requirement for changing Rocky Mountain’s budget. Further, the executive director should develop internal controls to ensure all budget changes are made in compliance with contract requirements.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: Budget modifications are an important and commonly used tool to allow for changes in need or delivery of services under a contract. They allow contractors to move budget between line items, without impacting the overall cost or purpose of a contract. DHS agrees it is important to continue to ensure there is transparency and clarity in its contract budget modification practices and has always provided current or prior versions of the RMHS contract to members of the public upon request. DHS will implement an updated procedure that will include a formal tracking system for budget modification requests and training for involved staff on the updated process to ensure contract compliance.

2.1 **Gauge Client Satisfaction** – The executive director of Rocky Mountain Human Services should develop and administer a method that incorporates leading practices when gauging the satisfaction of individuals receiving its case management services.

**Agency Response: Agree, Implementation Date – June 30, 2020**

Agency Narrative: Rocky Mountain Human Services (RMHS) will administer a method to gauge the satisfaction of individuals receiving case management services. RMHS will create and implement a comprehensive policy and procedure that builds on current methods, utilizes leading practices, and includes the identification of overall trends.

We agree that gauging client satisfaction is important. We currently gather input and measure satisfaction in a variety of ways. Previous efforts to assess needs and satisfaction with mill levy-funded services have led to the implementation of new service options over the past few years. A variety of forms of feedback are instrumental to our ability to listen and improve the way we serve the community, and we will continue to seek improvements in our overall assessment process.

2.2 **Improve Monitoring of Special Projects Subcontracts** – The executive director of Rocky Mountain Human Services should establish and implement policies and procedures to ensure subcontractor expenses are accurate and that agreed-upon goals in the subcontracts are fulfilled.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: RMHS will establish and implement policies and procedures that increase current monitoring of special project subcontractors’ expenses and will develop contracts that clearly outline the requirements that subcontractors must meet and will monitor performance.

RMHS implemented special projects in 2016 after feedback from the community identified
the need to increase service options through other agencies. These special projects offer innovative, meaningful programs that strengthen the Denver community. In 2018 RMHS reported outcomes and satisfaction results that indicate and increase in independence, improvement in quality of life, and increased community engagement as a result of these new service options.

RMHS is proud to partner with these agencies and will continue to improve its monitoring of the special projects they administer.

2.3 Verify Residency – The executive director of Rocky Mountain Human Services should ensure staff are aware of the residency requirement for Denver’s dedicated property tax dollars and of Denver’s city boundaries. Additionally, the executive director should ensure Rocky Mountain personnel verify all addresses for individuals receiving services with the City’s property tax dollars and that Rocky Mountain personnel should do so using an accurate map of Denver, such as the one managed by the Assessor’s Office.

Agency Response: Agree, Implementation Date – Completed

Agency Narrative: RMHS strengthened its internal controls and residency verification methods to ensure that individuals served by the property tax revenue are Denver residents. RMHS will verify individuals’ residency at least annually using an accurate map of Denver.

RMHS has taken consistent action over the past three years to ensure that only Denver residents received services from Denver tax dollars. This required the careful transition of some services delivered to non-Denver residents to other providers, the closure of some programs, and the implementation of information management systems to attribute these funds to individuals living in Denver.

The adult behavioral health department was the last program area not in compliance with the residency requirement. This program served many vulnerable individuals needing long-term behavioral supports and included some individuals who had moved from Denver into other communities. The program could not grow since there were no Denver residents waiting for these services. This resulted in the program closure in December 2018 to comply with the city ordinance.

2.4 Ensure Consistent Delivery of Case Management Services – The executive director of Rocky Mountain Human Services should implement internal controls to ensure the organization’s personnel comply with all requirements for serving Denver residents using the City’s dedicated tax dollars. This could take the form of alerts in case management system software that notify service coordinators of upcoming requirements prior to applicable deadlines.

Agency Response: Agree, Implementation Date – December 31, 2019

Agency Narrative: RMHS will implement internal controls that may include increased supervisory oversight and software alerts to ensure staff are accurately and regularly documenting the services provided to Denver residents.

Service Coordinators are essential to the coordination and delivery of services to 4,265
Denver residents. Their unique relationship maximizes the benefit available to each person and provides the conduit for the services identified in this report. Service Coordinators are consistently trained to understand all requirements for various funding sources. In addition to helping individuals receive state-required services, Service Coordinators also complete internal controls specific to accessing Denver tax dollars, i.e., address verification. RMHS agrees that further improvements and internal controls are needed to ensure the documentation of communication, monitoring and mill levy service plans.

2.5 **Ensure Appropriateness of Client Assistance Program Payments** – The executive director of Rocky Mountain Human Services should implement internal controls to ensure payments through the Client Assistance Program are made only after all other funding sources have been exhausted, are not used to buy prohibited items, and are made to benefit only a Denver resident with an intellectual and developmental disability.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: RMHS will implement additional internal controls to increase accountability in the Client Assistance Program.

The Client Assistance Program was implemented in 2017 after hearing community feedback that unique and flexible service options were necessary in order to meet individualized needs. The number of requests received has risen 185 percent since this program began in 2017 and therefore is one of the greatest successes over the last three years.

The program has evolved over time for a variety of reasons, including clarification of reimbursement requirements, increased awareness and access to these service options, and a defined budget. As a result, RMHS has made difficult decisions to stop funding some requests and place a dollar limit on others in order to prioritize funding for critical needs. RMHS will ensure that its practices align with its description of available services.

Service Coordinators submitting requests are consistently trained to ensure they have considered all other resources to adequately meet the identified needs before requesting mill levy funding. During the audit period, staff were not required to document that explicitly in the request. They are now required to do so.

2.6 **Implement Automatic Verification in Invoice Software** – The executive director of Rocky Mountain Human Services should ensure the software system used to process service providers’ invoices can identify instances when dates of service, types of service, or available units of service listed on the invoice do not match an individual’s prior authorization request.

**Agency Response: Agree, Implementation Date – Completed**

Agency Narrative: RMHS is matching the invoices it receives to prior authorization requests to ensure mill levy funding is used appropriately and correctly. In early 2019, we were transitioning to a new billing software, and we discovered during the auditors’ fieldwork an error in the software validation, which resulted in the 2 percent error rate identified in the audit report. We were immediately able to correct the software issue and match all invoices in question to the
correct prior authorization requests.

2.7 **Improve Approval Process for Family Support Services** – The executive director of Rocky Mountain Human Services should ensure service coordinators document whether other funding sources were exhausted before approving money from family support services. The executive director should also strengthen the existing approval process, such as requiring secondary reviews, to ensure all funding is disbursed in accordance with Rocky Mountain’s policies and procedures.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: RMHS will continue to strengthen the approval process for funds used to support individuals served by Family Support Services, which includes documenting that other funding sources were exhausted prior to approval and ensuring funding is disbursed in accordance with policies and procedures.

Service Coordinators and other staff submitting requests are trained to ensure they have considered all other resources to adequately meet the identified needs before requesting mill levy funding. During the audit period, service coordinators were not required to document whether other funding sources existed. They are now required to do so.

3.1 **Enhance Communication and Transparency** – The executive director of Rocky Mountain Human Services should make it a priority to respond to the Community Advisory Council’s recommendations in writing. At a minimum, such responses should explain why Rocky Mountain selected certain projects and not others, particularly when decisions deviate from the council’s recommendations.

**Agency Response: Agree, Implementation Date – December 31, 2019**

Agency Narrative: RMHS will respond in writing to the Community Advisory Council’s recommendations, including providing the outcome of its decisions regarding the selection of special projects.

We value the Community Advisory Council’s time and efforts to recommend ways to improve the way RMHS administers mill levy funds and look forward to continuing to work with members to serve the Denver community.
AGENCIES’ RESPONSES TO AUDIT RECOMMENDATIONS

NOTE: Please see pages 66-68 for a compilation of the Auditor’s Addenda for the recommendations to which Denver Human Services disagreed.

August 8, 2019

Auditor Timothy M. O’Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of Denver’s Property Tax Spending for Intellectual and Developmental Disabilities, administered by Denver Human Services (DHS) and provided by Rocky Mountain Human Services (RMHS).

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on August 1, 2019. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
Denver Human Services’ Lack of Oversight Prevents It from Validating that Taxpayer Funds Were Spent as Intended

RECOMMENDATION 1.1
Enforce Contract Reimbursement Requirement – The executive director of Denver Human Services should enforce the reimbursement provision of its contract with Rocky Mountain Human Services. The executive director should also disallow the reimbursement of expenses that Rocky Mountain does not adequately support with evidence.

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Narrative for Recommendation 1.1

It is significant to note at the outset that the Denver Auditor’s Office audit testing identified no fraud, waste, or abuse in these programs, but instead identified opportunities to cultivate best practices. Indeed, the audit found DHS paid RMHS to fund critical services for people with intellectual and developmental disabilities as intended. It is important to clarify the differences between the 2013 – 2017 contract and exhibit (including the six-month bridge contract) and the present July 1, 2018 – December 31, 2020, contract and exhibit, which are detailed in Exhibit A of each contract (please see attached exhibits). Understanding the differences between the contracts is fundamental to understanding the differences in the required documentation to support reimbursement and thus forms the basis for DHS’ disagreement with Finding 1 as associated with Recommendations 1.1 and 1.2.
The 2013 – 2017 contract was based upon a gap funding model to implement the voter-initiated ordinance passed in 2003. The contract was written and approved to allow the mill levy funds to be used to enhance and/or expand services and supports otherwise funded by state or federal funding sources. These programs included Early Intervention, Life Skills and Support, Special Projects, Behavioral Health, Service Coordination and Outreach and Communications. The programs served thousands of people with intellectual and developmental disabilities over the years and demonstrated high levels of satisfaction among the program beneficiaries. Reimbursable expenditures under this model required demonstration, by expense category, that services or programs were offered, what they cost, and the mill levy portion of those costs vs. the state and federal portions.

The 2015 audit of RMHS by the Denver Auditor’s Office did not find fault with the gap funding model, but rather found that the RMHS programs were not just serving Denver residents. While neither the voter-initiated ordinance nor the contract specified that services and supports would only be provided to individuals residing in Denver, it became important to all involved, including leadership at DHS, to ensure that the Denver mill levy funds were serving Denver residents exclusively. As a result, DHS identified that the gap funding model was insufficient to meet this goal and made significant changes to the reimbursement process to address this issue.

DHS disagrees with the assertion now being made in the current audit that gap funding violated fiscal accountability rules or contracts in place with RMHS during the audit period, or that funds reimbursed through this model were incorrectly reimbursed. DHS does agree, however, that the vast changes that DHS made to the reimbursement process reflected in the present contract and exhibit have addressed the shortcomings of the prior practice of gap funding and have greatly improved the benefits to Denver residents overall.

The audit states at page 10, "In addition to the contract itself, one of the City’s Fiscal Accountability Rules requires support documentation for every financial transaction." DHS does not agree with their interpretation of Fiscal Accountability Rule 2.5, which, per the rule, applies to “accounting transactions recorded in the financial system of record.” DHS reads Fiscal Accountability Rule 2.5 as requiring documentation for the basis of a City transaction, such as an invoice for the payment to a contractor. The audit extrapolates what DHS believes is required for every City transaction to every cost a contractor incurs as part of its contract with the City. This interpretation would require every single cost incurred by RMHS as part of its contracts with DHS to be substantiated with support documentation before payment, which does not appear to be the intent of Fiscal Accountability Rule 2.5. It would negate sampling as a legitimate method of invoice review and approval. This would not only be an inefficient use of DHS resources but would also significantly increase costs, delay payments, and reduce funds available for direct services to families.

As to the findings in the current audit surrounding billing practices, the present contract and exhibit establish a completely different process for reimbursement to RMHS. The new process is based upon a fee-for-service model and reimbursement of agreed upon expenditures. Documentation of expenditures under the new model is necessarily different than that for a gap funding model. It requires evidence tying expenditures to specific, agreed upon mill levy funded services and supports for Denver residents. Additional support for reimbursement is provided through DHS’ monitoring of over thirty performance metrics each month. To clarify, both funding models and contracts required that RMHS submit expenditure reports and maintain

Don Mares | Executive Director
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Page 55
documentation for review or audit, but the content of the reports and documentation under the different contract models was necessarily different.

Although DHS plans to further examine and strengthen processes taking into consideration suggestions made in the present audit, DHS does not agree that existing invoice review and payment practices are inadequate or conflict with the provisions of the contract terms or hinder the ability to disallow reimbursement of expenses. Indeed, the audit found that DHS has done just that – withheld $132,400 for November and December of 2018 pending receipt of adequate source documentation. DHS will continue to enforce the reimbursement provisions through sampling source documentation. Sampling is a commonly accepted, allowable method of expenditure verification and risk management. The method complies with fiscal accountability rules, the contract, and Exhibit A. DHS will continue to refine reimbursement processes through coordinated efforts between the compliance staff that initiate reimbursements and internal audit staff performing audits.

Through contract provisions that allow DHS to be responsive to identified concerns related to invoicing, the current payment process was designed to reduce the possibility that critical services to Denver residents with intellectual and developmental disabilities would be disrupted, given the volume and complexity of the underlying transactions. DHS initiates payment for the invoice total less the amounts being sampled; payment for the sampled amounts is initiated once appropriate source documentation is received. DHS will develop a process to formally communicate and track documentation issues identified through the invoice sampling process to inform risk assessments and future audit scopes/sample sizes for the department’s internal auditor. DHS agrees to continue to hold payment for invoice line items of sampled programs until adequate supporting source documentation is received and will follow the contract’s requirements to ensure repayment from RMHS when issues with invoice documentation are identified during the department’s audit process. Furthermore, DHS will continue to withhold payment and seek the return of any reimbursement deemed improper or otherwise disallowed under the contract, law or ordinance.

DHS will continue to work through clarifications with RMHS on the kind of source documentation necessary to support payment when differences in understanding are identified. Documentation requirements are captured in Exhibit A of the current RMHS contract and any additional clarifications are documented during the year as identified. The Exhibit A section that outlines documentation expectations is updated at the start of each new contract term to reflect the latest budget and scope of work, including specific source documentation for each program expense category.

**RECOMMENDATION 1.2**

**Implement Process for Invoice Review** – The executive director of Denver Human Services should work with Rocky Mountain Human Services to agree on the kind of source documentation necessary to validate expenses for any department included on Rocky Mountain’s monthly reimbursement request.

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Timothy M. O’Brien, CPA
Denver Auditor
Narrative for Recommendation 1.2

Please see response to recommendation 1.1 above.

RECOMMENDATION 1.3
Verify Accuracy of Special Project Outputs – The executive director of Denver Human Services should establish procedures for monitoring the agreed-upon goals stated in Rocky Mountain Human Services’ subcontracts.

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<tr>
<td>Agree</td>
<td>December 31, 2019</td>
<td>Joe Homlar 720-944-2860</td>
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Narrative for Recommendation 1.3

DHS agrees to support RMHS in their monitoring of external agency initiatives subcontractors. DHS will provide guidance and continue to discuss the performance of external agency subcontractors with RMHS in order to enhance oversight of program goals. As further monitoring is deemed necessary by the risk-based assessment process developed through recommendation 1.4 below, DHS will exercise its powers under the contract to review or audit the performance of the external agency initiatives under contract with RMHS for mill levy funded services.

RECOMMENDATION 1.4
Develop an Annual Risk Assessment Process – The executive director of Denver Human Services should ensure its Internal Audit Division establishes and implements an annual risk assessment process related to its contract with Rocky Mountain Human Services.

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<tr>
<td>Agree</td>
<td>October 31, 2019</td>
<td>Bettina Schneider 720-944-2864</td>
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Narrative for Recommendation 1.4

The DHS Internal Audit Division will work closely with DHS management, DHS Mill Levy Program Manager, and RMHS management to establish and implement a risk-based assessment process related to its contract with RMHS. This process will be conducted on an annual basis to assist with the identification and prioritization of audits to be conducted related to the contract.
RECOMMENDATION 1.5
Ensure Proper Use of Taxpayer Funds – The executive director of Denver Human Services should ensure taxpayer dollars dedicated to helping those with intellectual and developmental disabilities are not spent to perform internal audit work unrelated to the contract with Rocky Mountain Human Services.

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Narrative for Recommendation 1.5

In 2017, City Council approved Ordinance No. 20161071 which outlines permitted uses of mill levy revenue dedicated to serving people with intellectual and developmental disabilities and expanded those uses to include additional contracting opportunities beyond the existing contract with RMHS. The ordinance designates administrative funds in order to administer and enforce any city contracts associated with the fund. While DHS agrees it is important to ensure mill levy funds are dedicated to helping people with intellectual and developmental disabilities, the department anticipates additional contracts for mill levy funded services with entities other than RMHS. Any additional mill levy service contracts could be audited by the department’s internal auditor as part of DHS oversight of the use of mill levy funds. Therefore, DHS disagrees with Recommendation 1.5.

Additionally, DHS disagrees that anywhere near $14,400 in dedicated mill levy funds were spent on unrelated projects or assignments. In this instance, DHS reviewed and verified that this assignment, completed in a minimal amount of time over the course of two months, was a professional development opportunity to be conducted during downtime with RMHS assignments in 2017. Professional development is considered part of the internal auditor’s core responsibilities.

The DHS Performance Improvement and Accountability Division Director and Internal Audit Supervisor will work to ensure that the dedicated internal auditor assigned to monitoring mill levy services contracts will not be assigned other projects unrelated to mill levy funded services. In the rare event that circumstances arise where it is determined necessary to assign the internal auditor to other project(s) unrelated to mill levy service contracts, the department’s internal auditor will be instructed to track and report their time spent on each project to ensure that any time spent on unrelated projects is not paid out of mill levy funding.
RECOMMENDATION 1.6
Enforce Contract Requirements for Budget Changes – The executive director of Denver Human Services should ensure all department personnel responsible for overseeing the contract with Rocky Mountain Human Services have a complete understanding of the contract’s requirement for changing Rocky Mountain’s budget. Further, the executive director should develop internal controls to ensure all budget changes are made in compliance with contract requirements.

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Narrative for Recommendation 1.6

Budget modifications are an important and commonly used tool to allow for changes in need or delivery of services under a contract. They allow contractors to move budget between line items, without impacting the overall cost or purpose of a contract. DHS agrees it is important to continue to ensure there is transparency and clarity in its contract budget modification practices and has always provided current or prior versions of the RMHS contract to members of the public upon request. DHS will implement an updated procedure that will include a formal tracking system for budget modification requests and training for involved staff on the updated process to ensure contract compliance.

Please contact Rob Baker, Denver Human Services Internal Audit Supervisor at (720) 944-2832, with any questions.

Sincerely,

Don Mares
Executive Director
Denver Human Services

cc: Valerie Walling, Deputy Auditor, CPA, CMC®
    Pat Schafer, MBA, CPA, CFE, CIA, Audit Supervisor,
    Katja E. V. Freeman, MA, MELP, Audit Director
    Jennifer Yeaw, Denver Human Services Chief of Staff
Monday, August 5, 2019

Auditor Timothy M. O’Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of Denver’s Property Tax Spending for Intellectual and Developmental Disabilities.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on July 31, 2019. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 2
Rocky Mountain Human Services Appears to Provide Quality Services but Could Improve Its Financial Accountability

RECOMMENDATION 2.1
Gauge Client Satisfaction – The executive director of Rocky Mountain Human Services should develop and administer a method that incorporates leading practices when gauging satisfaction of individuals receiving its case management services.

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<tr>
<td>Agree</td>
<td>June 30, 2020</td>
<td>Shari Repinski 303-636-3833</td>
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Narrative for Recommendation 2.1
Rocky Mountain Human Services (RMHS) will administer a method to gauge the satisfaction of individuals receiving case management services. RMHS will create and implement a comprehensive policy and procedure that builds on current methods, utilizes leading practices, and includes the identification of overall trends.

We agree that gauging client satisfaction is important. We currently gather input and measure satisfaction in a variety of ways. Previous efforts to assess needs and satisfaction with mill levy-funded services have led to the implementation of new service options over the past few years. A variety of forms of feedback are instrumental to our ability to listen and improve the way we serve the community, and we will continue to seek improvements in our overall assessment process.
RECOMMENDATION 2.2
Improve Monitoring of Special Projects Subcontracts – The executive director of Rocky Mountain Human Services should establish and implement policies and procedures to ensure subcontractor expenses are accurate and that agreed-upon goals in the subcontracts are fulfilled.

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<td>Agree</td>
<td>Dec. 31, 2019</td>
<td>Shari Repinski 303-636-3833</td>
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Narrative for Recommendation 2.2
RMHS will establish and implement policies and procedures that increase current monitoring of special project subcontractors’ expenses and will develop contracts that clearly outline the requirements that subcontractors must meet and will monitor performance.

RMHS implemented special projects in 2016 after feedback from the community identified the need to increase service options through other agencies. These special projects offer innovative, meaningful programs that strengthen the Denver community. In 2018 RMHS reported outcomes and satisfaction results that indicate and increase in independence, improvement in quality of life, and increased community engagement as a result of these new service options.

RMHS is proud to partner with these agencies and will continue to improve its monitoring of the special projects they administer.

RECOMMENDATION 2.3
Verify Residency – The executive director of Rocky Mountain Human Services should ensure staff are aware of the residency requirement for Denver’s dedicated property tax dollars and of Denver’s city boundaries. Additionally, the executive director should ensure Rocky Mountain personnel verify all addresses for individuals receiving services with the City’s property tax dollars and that Rocky Mountain personnel should do so using an accurate map of Denver, such as the one managed by the Assessor’s Office.

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Narrative for Recommendation 2.3
RMHS strengthened its internal controls and residency verification methods to ensure that individuals served by the property tax revenue are Denver residents. RMHS will verify individuals’ residency at least annually using an accurate map of Denver.

RMHS has taken consistent action over the past three years to ensure that only Denver residents received services from Denver tax dollars. This required the careful transition of some services delivered to non-Denver residents to other providers, the closure of some programs, and the implementation of information management systems to attribute these funds to individuals living in Denver.

The adult behavioral health department was the last program area not in compliance with the residency requirement. This program served many vulnerable individuals needing long-term behavioral supports and included some individuals who had moved from Denver into other communities. The program could not grow since there were no Denver residents waiting for these services. This resulted in the program closure in December 2018 to comply with the city ordinance.

RECOMMENDATION 2.4
Ensure Consistent Delivery of Case Management Services – The executive director of Rocky Mountain Human Services should implement internal controls to ensure the organization’s personnel comply with all requirements for serving Denver residents using the City’s dedicated tax dollars. This could take the form of alerts in case management system software that notify service coordinators of upcoming requirements prior to applicable deadlines.

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Narrative for Recommendation 2.4
RMHS will implement internal controls that may include increased supervisory oversight and software alerts to ensure staff are accurately and regularly documenting the services provided to Denver residents.

Service Coordinators are essential to the coordination and delivery of services to 4,265 Denver residents. Their unique relationship maximizes the benefit available to each person and provides the conduit for the services identified in this report. Service Coordinators are consistently trained to understand all requirements for various funding sources. In addition to helping individuals receive state-required services, Service Coordinators also complete internal controls specific to accessing Denver tax dollars, i.e., address verification. RMHS agrees that further improvements and internal controls are needed to ensure the documentation of communication, monitoring, and mill levy service plans.
RECOMMENDATION 2.5
Ensure Appropriateness of Client Assistance Program Payments – The executive director of Rocky Mountain Human Services should implement internal controls to ensure payments through the Client Assistance Program are made only after all other funding sources have been exhausted, are not used to buy prohibited items, and are made to benefit only a Denver resident with an intellectual and developmental disability.

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Narrative for Recommendation 2.5
RMHS will implement additional internal controls to increase accountability in the Client Assistance Program.

The Client Assistance Program was implemented in 2017 after hearing community feedback that unique and flexible service options were necessary in order to meet individualized needs. The number of requests received has risen 165 percent since this program began in 2017 and therefore is one of the greatest successes over the last three years.

The program has evolved over time for a variety of reasons, including clarification of reimbursement requirements, increased awareness and access to these service options, and a defined budget. As a result, RMHS has made difficult decisions to stop funding some requests and place a dollar limit on others in order to prioritize funding for critical needs. RMHS will ensure that its practices align with its description of available services.

Service Coordinators submitting requests are consistently trained to ensure they have considered all other resources to adequately meet the identified needs before requesting mill levy funding. During the audit period, staff were not required to document that explicitly in the request. They are now required to do so.

RECOMMENDATION 2.6
Implement Automatic Verification in Invoice Software – The executive director of Rocky Mountain Human Services should ensure the software system used to process service providers’ invoices can identify instances when dates of service, types of service, or available units of service listed on the invoice do not match an individual’s prior authorization request.

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Narrative for Recommendation 2.6
RMHS is matching the invoices it receives to prior authorization requests to ensure mill levy funding is used appropriately and correctly. In early 2019, we were transitioning to a new billing software, and we discovered during the auditors’ fieldwork an error in the software validation, which resulted in the 2 percent error rate identified in the audit report. We were immediately able to correct the software issue and match all invoices in question to the correct prior authorization requests.

RECOMMENDATION 2.7
Improve Approval Process for Family Support Services – The executive director of Rocky Mountain Human Services should ensure service coordinators document whether other funding sources were exhausted before approving money from family support services. The executive director should also strengthen the existing approval process, such as requiring secondary reviews, to ensure all funding is disbursed in accordance with Rocky Mountain’s policies and procedures.

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Narrative for Recommendation 2.7
RMHS will continue to strengthen the approval process for funds used to support individuals served by Family Support Services, which includes documenting that other funding sources were exhausted prior to approval and ensuring funding is disbursed in accordance with policies and procedures.

Service Coordinators and other staff submitting requests are trained to ensure they have considered all other resources to adequately meet the identified needs before requesting mill levy funding. During the audit period, service coordinators were not required to document whether other funding sources existed. They are now required to do so.

AUDIT FINDING 3
Rocky Mountain Human Services’ Decision-Making When Interacting with Its Community Advisory Council Lacks Transparency

RECOMMENDATION 3.1
Enhance Communication and Transparency – The executive director of Rocky Mountain Human Services should make it a priority to respond to the Community Advisory Council’s recommendations in writing. At a minimum, such responses should explain why Rocky Mountain selected certain projects and not others, particularly when decisions deviate from the council’s recommendations.

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**Narrative for Recommendation 3.1**

RMHS will respond in writing to the Community Advisory Council’s recommendations, including providing the outcome of its decisions regarding the selection of special projects.

We value the Community Advisory Council’s time and efforts to recommend ways to improve the way RMHS administers mill levy funds and look forward to continuing to work with members to serve the Denver community.

Thank you for the communication and coordination of audit activities throughout the process. If you have any further questions, please contact me at 303-636-3833.

Sincerely,

![Signature]

Shari Repinski  
Executive Director

cc: Valerie Wailing, Deputy Auditor, CPA, CMC®  
Patrick Schafer, MBA, CPA, CFE, CIA, Audit Supervisor  
Katja E. V. Freeman, MA, MELP, Audit Director
AUDITOR’S ADDENDA

Auditor’s Addendum to Agency Response for Recommendation 1.1

Denver Human Services stated in its narrative to Recommendation 1.1 that our audit identified opportunities to cultivate best practices. However, we believe all recommendations under Finding 1 directed at Denver Human Services are not just best practices but are necessary actions to ensure compliance with the City ordinance, City Fiscal Accountability Rule 2.5, and the provisions of its contract with Rocky Mountain Human Services.

Denver Human Services’ narrative to Recommendation 1.1 inaccurately states that the contract language related to the required support documentation varies between the contract in place during the first 18 months of the audit period and the contract in place during the last six months of the audit period. Figures 9 and 10 in Appendix C contain excerpts from both contracts detailing the documentation that must support expenses submitted for reimbursement. As seen in the two figures, the language is similar between the contracts. Under the language contained in these two sections, a reimbursement process like gap-funding would not be allowed under either contract that was in effect during the audit period. By allowing Rocky Mountain to use a gap-funded process, Denver Human Services could not validate whether reimbursements were accurate or used for the benefit of a Denver resident with an intellectual and developmental disability—both of which are required under the ordinance and the contract. Denver Human Services even acknowledged in its narrative that gap-funding is insufficient to meet the requirement that only Denver residents receive dedicated tax funds, and the agency made significant changes as a result.

Further, Denver Human Services stated in its response that neither the voter-initiated ordinance nor the contract specifies that only Denver residents receive dedicated property tax funds. Figures 11 through 14 of Appendix D show that the residency requirement is included in the 2017 ordinance, each of the contracts under audit, and Initiative 100. Based on this well-defined residency requirement, gap-funding should have not been permitted by Denver Human Services.

Fiscal Accountability Rule 2.5 is a City rule that makes gap-funding an unacceptable method of reimbursement. Rule 2.5 requires that every financial transaction be supported by documentation. Supporting documentation is used to corroborate the data recorded in the City’s general ledger. However, Denver Human Services stated in its narrative that Rule 2.5 does not apply to its financial transactions with Rocky Mountain. Additionally, Denver Human Services stated that Rule 2.5 would be applicable in situations where a City transaction involves an invoice being paid to a contractor. We believe Denver Human Services’ example is exactly what is occurring between Rocky Mountain and Denver Human Services. Rocky Mountain’s monthly reimbursement requests serve as invoices being submitted by a contractor of the City. As seen in the general ledger report pulled from the City’s financial system in Table 7 of Appendix E, Rocky Mountain’s reimbursement payments are recorded like other City transactions. Therefore, Rule 2.5 is relevant.

We agree with Denver Human Services that verifying the source documentation for 100 percent of expenses in each reimbursement request would be an inefficient use of resources. Recommendations
1.1 and 1.2 do not prevent Denver Human Services from sampling expenses. However, the gap-funding method prevented Denver Human Services from being able to verify that source documentation ties to a specific service for a Denver resident with an intellectual and developmental disability. This means that under gap funding Denver Human Services could not sample any expenses and, therefore, could not comply with Rule 2.5. Because of this, Recommendation 1.1 is to ensure Denver Human Services’ reimbursement method is consistent with the reimbursement provisions of the contract and is consistent with Rule 2.5 while utilizing a sampling approach.

The purpose of Recommendation 1.2 is for Rocky Mountain and Denver Human Services to work together to better understand what documentation should be submitted for the expenses to be validated. Our testing showed that Denver Human Services denied payments for 100 percent of what it examined in November and December of 2018 and questioned $513,000 of what was examined in October 2018—all due to a lack of appropriate source documentation. This indicates that the two entities lack an agreement as to what constitutes adequate source documentation. Recommendation 1.2 is meant to rectify this.

**Auditor’s Addendum to Agency Response for Recommendation 1.2**

Denver Human Services referred to its response for Recommendation 1.1 to address Recommendation 1.2. The auditor’s addendum for Recommendation 1.1 also addresses Recommendation 1.2.

**Auditor’s Addendum to Agency Response for Recommendation 1.5**

In their narrative to Recommendation 1.5, Denver Human Services officials state they disagree that anywhere near $14,400 of dedicated property tax funds was spent on projects unrelated to their contract with Rocky Mountain. Our testing work showed that the unrelated assignments for the internal auditor occurred during the months of August and September 2017. We requested documentation from Denver Human Services to show exactly how many hours were allocated to the unrelated project, but Denver Human Services could not provide evidence of the exact amount.

Because of this, we calculated the compensation paid to the internal auditor for both August and September to quantify the maximum amount of property tax funds that may have been for purposes that cannot be funded with mill levy monies. To identify this amount, we analyzed the property tax fund payments associated with the internal auditor position. Payments to the internal auditor covering the months of August and September 2017 were included in a payment period covering the months of July 2017 through December 2017. We prorated the total amount of compensation earned over the entire six-month period to account for two months out of the six months. This calculation gave us the maximum amount, $14,400, that would have been associated with the two-month period in which the internal auditor worked on unrelated assignments. Therefore, in the report we state that Denver Human Services incorrectly paid as much as $14,400 of property tax funds to work unrelated to its contract with Rocky Mountain.

Denver Human Services officials also state in their narrative to Recommendation 1.5 that this assignment was a professional development opportunity. Our testing work did not state the internal auditor could not participate in professional development opportunities. However, according to the City ordinance,
funds from the dedicated property tax can be used only for specific purposes. One of these purposes is to administer and enforce the contract with Rocky Mountain Human Services. Therefore, Denver Human Services cannot use dedicated property tax funds to pay for time spent on unrelated projects, including professional development.

Despite its response of “disagree,” Denver Human Services acknowledges in its response the restrictions of the dedicated property tax funds outlined by the City ordinance and agrees to ensure payments from these funds go toward only time spent on its contract with Rocky Mountain.
OBJECTIVE

To review Denver Human Services’ oversight of its contract with Rocky Mountain Human Services, and to determine whether Denver Human Services and Rocky Mountain managed, allocated, and spent—in accordance with their contract and with City ordinance—the portion of City property tax revenue dedicated to helping Denver residents with intellectual and developmental disabilities. This included:

• Determining whether Denver Human Services and Rocky Mountain spent Denver’s dedicated property tax dollars in compliance with City ordinance, the contract between them, and applicable policies and procedures;
• Determining whether Rocky Mountain provided case management services to Denver residents in accordance with applicable policies and procedures, and evaluating how satisfied parents and legal guardians are with the services their child receives from the Early Intervention Department;
• Determining whether Rocky Mountain includes its Community Advisory Council’s input in the decision-making process for how to spend Denver’s dedicated property tax on special projects; and
• Testing for indicators of misappropriated dedicated property tax funds through fraudulent disbursement schemes common to the expense processing cycle.

SCOPE

The audit assessed how Denver Human Services and Rocky Mountain Human Services monitored, oversaw, and spent the City’s property tax dollars dedicated to helping individuals with intellectual and developmental disabilities during 2017 and 2018. This included determining whether the City’s dedicated property tax dollars were spent as intended and whether parents and legal guardians are satisfied with the services their child received from Rocky Mountain’s Early Intervention Department. The areas evaluated included Rocky Mountain’s departments and programs funded by Denver’s dedicated property tax. We also evaluated the input provided by Rocky Mountain’s Community Advisory Council for 2017 and 2018.

METHODOLOGY

During the audit, we performed the following steps to achieve the audit objective:

• Reviewed applicable requirements, such as City ordinance, Executive Order 8, Fiscal Accountability Rule 2.5, and the contract between Denver Human Services and Rocky Mountain Human Services for spending Denver’s dedicated property tax revenue
• Interviewed key personnel from both Denver Human Services and Rocky Mountain
• Collected and analyzed Denver Human Services’ Internal Audit Division’s audit reports related to the Rocky Mountain contract

• Reviewed Rocky Mountain’s policies and procedures

• Researched the practices of other comparable Colorado community-centered boards

• Developed surveys—and analyzed the results—for Rocky Mountain’s Community Advisory Council and for parents and legal guardians whose children are served by Rocky Mountain’s Early Intervention Department

• Reviewed Denver Human Services’ payments to Rocky Mountain to determine whether any payments exceeded the approved budget

• Performed fraud data analysis to identify indicators of fraudulent transactions, which included the following methods:
  ○ Matched payment dates with invoice dates;
  ○ Matched service authorization dates with invoice dates;
  ○ Identified duplicate payment amounts with the same control number, date, or disbursement description;
  ○ Identified manual payment entries;
  ○ Analyzed the cash disbursement journal to ensure no payment was made or processed for voided/cancelled checks;
  ○ Analyzed payments to ensure service provider approval numbers matched invoice numbers;
  ○ Matched the names of employees processing expenses to ensure only staff in the Accounts Payable and Revenue Cycle departments were processing expenses;
  ○ Analyzed the names and addresses of all disbursement recipients in the cash disbursements journal to identify any matches with the names and addresses of Rocky Mountain’s Board of Directors, Rocky Mountain employees, Denver Human Services’ board, and Denver Human Service employees responsible for dedicated property tax revenue oversight;
  ○ Analyzed credit card expenses to identify payment outliers, unusual spending patterns, purchases occurring outside normal business hours (e.g., weekends or holidays), and payment descriptions that did not appear reasonably connected to services for clients;
  ○ Analyzed the vendor master file to identify any vendor payments being made to Post Office boxes, and if files contained duplicate addresses, duplicate employer identification numbers, or e-mail addresses that do not appear to be connected to an employer such as Gmail or Yahoo accounts; and
  ○ Analyzed the vendor master file’s change log to identify if any changes were made by employees whose job functions did not relate to the expense processing cycle

• Tested source documentation to determine the validity of expense reimbursements, the validity of spending on services and supports, and the residency of individuals receiving those services and supports
Figure 8 is the expense reimbursement request Rocky Mountain Human Services submitted to Denver Human Services in December 2018. This invoice is an example of the format Rocky Mountain used to submit its monthly reimbursement requests during the two-year period we audited.

It shows 14 departments that receive money from Denver’s dedicated property tax revenue, and each department has its own expense total.

**FIGURE 8.** December 2018 Rocky Mountain Human Services Reimbursement Request

<table>
<thead>
<tr>
<th>BUDGET LINE ITEM EXPENSE</th>
<th>LINE ITEM BUDGET</th>
<th>PREVIOUS BILLINGS</th>
<th>CURRENT INVOICE</th>
<th>REMAINING BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHILDREN’S CLINICAL SERVICES</td>
<td>$820,080.00</td>
<td>$820,080.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>INTAKE</td>
<td>$413,231.00</td>
<td>$343,104.80</td>
<td>$70,126.20</td>
<td>$0.00</td>
</tr>
<tr>
<td>SERVICE COORDINATION</td>
<td>$395,898.00</td>
<td>$335,288.64</td>
<td>$60,609.36</td>
<td>$0.00</td>
</tr>
<tr>
<td>FAMILY SERVICES &amp; SUPPORT PROGRAM</td>
<td>$384,560.00</td>
<td>$321,163.57</td>
<td>$63,396.43</td>
<td>$0.00</td>
</tr>
<tr>
<td>LIFE ESSENTIALS PROVIDER NETWORK</td>
<td>$353,708.00</td>
<td>$311,025.96</td>
<td>$42,682.04</td>
<td>$0.00</td>
</tr>
<tr>
<td>EARLY INTERVENTION</td>
<td>$321,895.00</td>
<td>$269,237.50</td>
<td>$58,657.50</td>
<td>$0.00</td>
</tr>
<tr>
<td>ADULT BEHAVIORAL HEALTH</td>
<td>$134,543.00</td>
<td>$98,054.01</td>
<td>$8,806.03</td>
<td>$27,682.96</td>
</tr>
<tr>
<td>COMMUNICATIONS &amp; OUTREACH</td>
<td>$84,580.00</td>
<td>$59,053.00</td>
<td>$6,689.00</td>
<td>$18,758.00</td>
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<tr>
<td>CLIENT/FAMILY DIRECTED FUNDS</td>
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<td>$1,469,305.88</td>
<td>$349,108.39</td>
<td>$331,588.73</td>
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<tr>
<td>EXTERNAL AGENCY INITIATIVES (KINDRED)</td>
<td>$1,070,385.00</td>
<td>$642,645.58</td>
<td>$115,312.77</td>
<td>$312,426.65</td>
</tr>
<tr>
<td>EXTERNAL AGENCY INITIATIVES (HUMAN SERVICES)</td>
<td>$870,100.00</td>
<td>$545,666.16</td>
<td>$147,124.62</td>
<td>$177,309.22</td>
</tr>
<tr>
<td>MILLS LEVY PROGRAM MANAGEMENT</td>
<td>$145,200.00</td>
<td>$104,117.19</td>
<td>$26,178.58</td>
<td>$14,904.23</td>
</tr>
<tr>
<td>RMHS INITIATIVES</td>
<td>$75,400.00</td>
<td>$23,641.04</td>
<td>$6,689.94</td>
<td>$45,069.02</td>
</tr>
<tr>
<td>ADMINISTRATIVE &amp; OVERHEAD EXPENSES</td>
<td>$1,380,500.00</td>
<td>$1,017,043.13</td>
<td>$163,870.62</td>
<td>$199,586.26</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$8,500,000.00</strong></td>
<td><strong>$6,359,426.46</strong></td>
<td><strong>$1,113,251.47</strong></td>
<td><strong>$1,027,332.07</strong></td>
</tr>
</tbody>
</table>

*Source:* Denver Human Services.

*Note:* Denver Options Inc. is the legal name of Rocky Mountain Human Services.
Appendix B – Sampling Methodology

This appendix details the populations and the sampling methods used to complete our testing work for each audit objective.

We performed testing over four populations included in our testing work related to the fraud objective. While our testing for this objective did identify deviations, none appeared to be related to fraud, waste, or abuse.

Our data analysis to identify indicators of fraudulent transactions included the following populations:

- Rocky Mountain Human Services’ 2018 cash disbursements journal and corresponding invoices;
- A list of Rocky Mountain’s employees employed at any point during calendar year 2018 and a complete listing of all current Denver Human Services’ employees, which included personal addresses;
- A list of any voided payments occurring in calendar year 2018; and
- Rocky Mountain’s current vendor master file and vendor master file change log covering any changes made during calendar year 2018.

To test the other three objectives in our audit, we completed eight tests from the following four populations:

- Monthly reimbursement requests and all accompanying source documentation submitted by Rocky Mountain to Denver Human Services for 2017 and 2018;
- Rocky Mountain’s general ledger for 2018—which included all transactions involving Denver’s dedicated property tax funds;
- Rocky Mountain’s case management list of all Denver residents it was actively serving in 2018; and
- Rocky Mountain’s list of all individuals served in its Behavioral Health Department in 2018.

We discuss the details for the sampling and testing performed for these four populations below. For the populations discussed below, we did not extrapolate our sample results over the population, as the samples were not statistically drawn.

**Expense Reimbursements**

The first population consisted of the invoices Rocky Mountain submitted to Denver Human Services for reimbursement. Each invoice covers one month of expenses. Because our testing covered two years (2017 and 2018), the population of invoices—or sampling units—was 24.

We randomly selected three months for both 2017 and 2018. Once we identified our six invoices, we requested the invoices and support materials that Denver Human Services used to approve reimbursements to Rocky Mountain. We then analyzed the information to determine whether the support could be reconciled with each invoice. Results can be found on pages 9-14.
Validity of Expenses

The second population consisted of transactions in Rocky Mountain’s general ledger for 2018. To verify completeness of the population, we:

1. Grouped the general ledger by department code;
2. Obtained an income statement for 2018; and then,
3. Reconciled the departments’ dollar amount totals on the income statement with the dollar amount totals listed in the general ledger.

We used the general ledger to test transactions related to the following programs and departments: Unmet Needs Program, Family Support Services Department, and Children’s Clinical Department. Using program and department codes, we subdivided the general ledger data for each into three subpopulations. In each of the three subpopulations, we defined the sampling unit as a single transaction.

- **Unmet Needs Program** – We identified the subpopulation for this program by filtering the general ledger on the project code “MLSP” (the project code used to designate Unmet Needs Program’s transactions). This subpopulation consisted of 441 transactions. We randomly selected a sample of 25 transactions from that sampling frame. We then gathered the source documentation for these transactions and tested whether each transaction was substantiated. Results can be found on pages 35-37.

- **Family Support Services Department** – We identified the subpopulation for this department by filtering the general ledger on the project code “FSSP-Mill,” (the project code used to designate Family Support Services Department transactions). The subpopulation consisted of 968 transactions. We randomly selected a sample of 25 transactions. We gathered the supporting documentation and tested whether each transaction was substantiated. Results can be found on pages 38 and 39.

- **Children’s Clinical Department** – For this department, we filtered the general ledger by department code “3330,” (the department code used to designate Children’s Clinical Department transactions). This filter produced 11 invoices. Each invoice included specific transactions associated with the individuals served in the department. We randomly selected three of the 11 invoices. Across the three invoices, there were 5,954 transactions associated with 646 unique individuals served by the department. We randomly selected 26 transactions associated with 25 different individuals to test whether the individuals were Denver residents. Results can be found on page 28.

Using the same population of the general ledger, we defined the sampling unit differently for testing work related to the special projects, Life Essentials Provider Network, and the Mill Levy Overhead Allocation. Here, we defined the sampling unit as one invoice period and tested all expenses included on each invoice we sampled.

- **Special Projects** – We used our professional judgment to select two special projects subcontractors based on risks we identified with these two special projects during the planning phase of our audit. The subpopulation for both subcontractors included all invoices submitted during 2017 and 2018. The total number of invoices for the subcontractors was 24. We assigned a number to each invoice. Then we randomly selected nine invoices. Lastly, we requested the
source documentation for each invoice. We tested the documentation to determine whether each transaction on the invoice was substantiated. Results can be found on page 25.

- **Life Essentials Provider Network** – This program increases provider options for individuals who prefer to receive services from an individual contractor or who cannot be adequately served by an outside service agency. An independent contractor can be a family member who is unable to work due to their role as a caretaker. The subpopulation for this department was defined as the 12 monthly periods for calendar year 2018. We randomly selected three months to test. For each month included in our sample, we verified all the expenses included on the each of the three sampled invoices. No issues were identified with this testing.

- **Mill Levy Overhead Allocation** – Overhead costs are those that are not directly tied to a single department or program. These costs, commonly referred to as indirect costs, include an organization’s costs such as rent, utilities, insurance, legal, and accounting expenses. The overhead allocation process consists of distributing these indirect costs to departments based on the level of services provided. For example, a department that provides a fourth of an entity’s services would be allocated a fourth of the total indirect costs. The subpopulation for this department was defined as the 12 monthly periods for calendar year 2018. We randomly selected three months to test. For each month included in our sample, we verified all the expenses included on the each of the three sampled invoices. No issues were identified with this testing.

**Service Coordination and Client Assistance Program Requests**

The third population we tested consisted of Rocky Mountain’s case management list of all Denver residents it was actively serving in 2018. We exported this population from Rocky Mountain’s case management software, called “Dynamo.” We extracted the population using a query that included only individuals with a Denver address. Dynamo indicated 4,265 individuals as being Denver residents. For this population, one sampling unit was one individual served. We used this population to test whether service coordinators complied with Rocky Mountain’s requirements and whether Client Assistance Program requests were approved correctly.

- **Service Coordination Testing** – Once we defined the population, we randomly sampled 25 individuals to test. To do this, we assigned a unique identifier to each individual in the population. We then generated 25 random numbers corresponding to the unique identifiers. Once we identified the sample of 25 individuals, we collected log notes for each person. We then tested to determine if the service coordinator documented the required meetings and included the required information for each person in their case file. Results can be found on page 31.

- **Client Assistance Program Testing** – We identified the complete list of Client Assistance approvals for 2018 from the total population identified in Dynamo. The query produced 1,611 requests. We divided this subpopulation into two groups: 1) individuals Rocky Mountain already serves and 2) individuals not receiving services from Rocky Mountain at the time of request. We identified 17 requests made by individuals not already receiving services out of the 1,611. From there, we randomly selected 20 requests from individuals receiving services and five requests from the 17 identified as not receiving services. We selected this proportion of requests based on the higher risks associated with the requests from individuals not receiving services.
For these requests, there is an increased risk during the approval process, because Rocky Mountain staff do not already have status information about the person’s intellectual and developmental disability. We received the request form for the 25 requests included in our sample and tested whether Rocky Mountain approved each correctly. Results can be found on pages 33 and 34.

**Behavioral Health Department**

The fourth population consisted of the individuals served in Rocky Mountain’s Behavioral Health Department during 2018. Rocky Mountain provided us the complete list of individuals that totaled 106 people. We tested the entire population to determine residency. Therefore, we did not need to perform any sampling for this population. Results can be found on page 27.

**Early Intervention Department Satisfaction Survey**

During the planning phase of the audit, we determined that Rocky Mountain does not administer satisfaction surveys to residents receiving case management services. While we wanted to develop a survey to gauge satisfaction for all residents receiving these services, we found several limitations that prevented our ability to do so.

During our discussions with Rocky Mountain staff, they stated many adults that receive case management do not have a guardian that can help them take the survey. In some instances, adults have a service provider help perform these types of tasks. However, this could produce a response bias as certain questions ask information about their perception of services provided. Additionally, Rocky Mountain does not have emails for most of the adult individuals they serve.

As a result of these limitations, we used our professional judgment to focus on residents receiving services in the Early Intervention Department because: 1) individuals served in this department have either a parent or legal guardian that would be able to complete a survey, and 2) Rocky Mountain had emails on file for the majority of the individuals being served in this department.

Using Rocky Mountain’s list of individuals it is actively serving with case management services, we performed another query to identify the individuals whom Rocky Mountain’s Early Intervention Department was actively serving during 2018. This generated a list of 1,247 children. The query included a column that listed the email address of each child’s parent or legal guardian. We filtered this column to identify the list of children with an email address on file, which totaled 969.

We sent our survey to the parents and legal guardians of all 969 children. Forty-three had incorrect email addresses on file and, therefore, did not receive the survey. Because of that, our final survey population was 926 individuals. Three hundred nineteen parents or guardians completed the entire survey, yielding a 34 percent response rate. We consider this to be an acceptable response rate, and we consider those that did respond to be an accurate representation of the surveyed population.

**Survey Methodology** – Table 6 on the following page shows the questions included in the client satisfaction survey described on pages 21-22.
<table>
<thead>
<tr>
<th>Category</th>
<th>Question Number</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Length of Time</strong></td>
<td>Q1</td>
<td>How long has your child received service coordination through Rocky Mountain Human Services?</td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>During the initial meeting to develop the Individualized Family Service Plan for my child, the service coordinator identified all my child’s and my family’s needs and preferences.</td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>The service coordinator adjusts my child’s Individualized Family Service Plan throughout the year to account for new needs and preferences.</td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>During my meetings with the service coordinator, the service coordinator always asks if my child needs services in addition to those that were specified in the Individualized Family Service Plan?</td>
</tr>
<tr>
<td></td>
<td>Q5</td>
<td>The service coordinator answered all my questions related to the services identified by the Individualized Family Service Plan.</td>
</tr>
<tr>
<td><strong>Service Plan Development</strong></td>
<td>Q6</td>
<td>Within the last year, the service coordinator has been present at least four times while my child was receiving services.</td>
</tr>
<tr>
<td></td>
<td>Q7</td>
<td>The service coordinator regularly checks in on the status of my child’s service goals throughout the year.</td>
</tr>
<tr>
<td></td>
<td>Q8</td>
<td>The service coordinator regularly asks if any new or additional services are needed for my child throughout the year.</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Q9</td>
<td>I know how to contact my child’s service coordinator.</td>
</tr>
<tr>
<td></td>
<td>Q10</td>
<td>I feel comfortable contacting my child’s service coordinator.</td>
</tr>
<tr>
<td></td>
<td>Q11</td>
<td>The service coordinator communicates with me in a way that I can understand.</td>
</tr>
<tr>
<td></td>
<td>Q12</td>
<td>The service provider communicates with me respectfully.</td>
</tr>
<tr>
<td></td>
<td>Q13</td>
<td>The service coordinator tells me about the services and supports available for my child.</td>
</tr>
<tr>
<td></td>
<td>Q14</td>
<td>The service coordinator responds within one business day to any emails and phone calls.</td>
</tr>
<tr>
<td></td>
<td>Q15</td>
<td>The service coordinator takes the time to answer my questions during each visit.</td>
</tr>
<tr>
<td><strong>Overall Satisfaction</strong></td>
<td>Q16</td>
<td>Overall, I am satisfied with the service coordinator experience.</td>
</tr>
<tr>
<td></td>
<td>Q17</td>
<td>Overall, I am satisfied with the quality of services provided in the Individualized Family Service Plan.</td>
</tr>
</tbody>
</table>

*Source: Developed by Auditor’s Office staff.*
Each question contained multiple options for the response. For Question 1, the options included “less than one year,” “between one and two years,” and “more than two years.” For questions 2-15, the responses were on a five-point Likert scale, from “strongly disagree” to “strongly agree” with an option to select “neither agree nor disagree.” Questions 16 and 17 were on a four-point scale from “strongly disagree” to “strongly agree.” We extracted the responses from our survey using the feature that assigns a numerical number to each individual response. This method takes the responses in text form and prepares them for analysis.

To analyze the survey results, we performed three types of analysis: descriptive statistics, factor analysis, and logistic regression.

- **Descriptive Statistics** – We identified general trends between the responses to the overall satisfaction questions (questions 16 and 17) with the respondent’s primary language and the length of time their child has received services at Rocky Mountain. Our survey results indicated a high level of client satisfaction. Specifically, 92 percent of parents or legal guardians said they were satisfied with their service coordination experience and 95 percent indicated they were satisfied with the services included in their child’s service plan. Additional information regarding survey results can be found on page 22.

- **Factor Analysis** – We performed the factor analysis to determine whether the questions included in each service coordination function were, in fact, capturing the same concept. Based on the results, three distinct factors can likely explain the variation among the variables. This means questions 2-15 on the survey captured three distinct concepts, which aligns with the intent of the survey.

  We conducted further analysis to verify which questions were related to each other. We found questions 2-5 were all related to satisfaction of service plan development, questions 6-8 were related to satisfaction of service plan monitoring, and questions 9-12 and question 15 were related to satisfaction of communication. Due to the results of the factor analysis, questions 13 and 14 were kept separate. We then turned each grouping of questions into a single variable, which means answers to each individual question were standardized into a factor score. The scores indicate a parent’s or legal guardian’s level of agreement with the questions included in each grouping. The higher the score, the more they agreed with the questions constituting each factor.

- **Logistic Regression** – The last analysis we performed was a logistic regression to determine the variables that predict a parent’s or legal guardian’s overall satisfaction with service coordination. A logistic regression uses a binary variable to determine the likelihood of an event occurring. Specifically, our regression model tells us the likelihood of being satisfied. Therefore, we assigned a zero for responses to question 16, or overall satisfaction, indicating “strongly disagree” and “disagree” and assigned a one for responses indicating “strongly agree” and “agree.” The predictor variables included each variable produced from the factor analysis, the two questions in the communication area left out of the communication factor (questions 13 and 14), and two control variables measuring the length of time at Rocky Mountain and the primary language of the parent or legal guardian.

  Our results indicated service coordinator communication and service plan monitoring are statistically significant predictors of satisfaction with service coordination services. Specifically, a one unit increase in a parent’s or guardian’s satisfaction of communication with their service coordinator means a parent or legal guardian is three times more likely to be satisfied with their
service coordination services. A one unit increase of satisfaction with the monitoring of their child’s service plan means a parent or legal guardian is four times more likely to be satisfied with their service coordination services.

We diagnosed our regression model for whether any of the predictor variables were overly influential and for the overall explanatory power of the model. First, we checked for multicollinearity — or strong correlation — between two or more independent variables. Checking for multicollinearity ensures the predictor variables are accounting for different areas that may impact the outcome variables. If multicollinearity is present, it can influence how much impact a single variable is shown to have on the outcome variable. We found no concerns with multicollinearity in the regression model. We also diagnosed the overall predictive power of the model. Results indicated the model accounted for 59.7 percent of the variability in the outcome variable. In other words, 59.7 percent of the overall satisfaction with service coordination experience can be explained by the predictor variables included in the model. The unexplained portion of satisfaction could be based on individual preferences not accounted for in the survey questions or may be due to the individual service coordinator assigned to each individual served.
Appendix C – Excerpts of Contract Expense Language

Figure 9 below and Figure 10 on the following page lay out the requirements for monthly reimbursement requests, as detailed in Denver Human Services’ contracts with Rocky Mountain Human Services before July 2018 and from July 2018 to December 2018, respectively.

The language specifying what source documentation needs to accompany the reimbursement requests in order for the City to validate the request is very similar across both contracts.

FIGURE 9. Contract Expense Language In Effect before July 2018

D. Monthly Expenditure Reports. The Contractor shall prepare and submit to the City, monthly reports (the "Contractor’s Expenditure Report(s)") setting out in detail an itemized description by expense category, including but not limited to, expenses for supplies and services, administrative costs associated therewith, purchases of Supplies, Equipment and Controlled Assets (as such terms are defined in Article 10 below), and real property, if any, of the amount of all monies actually expended by Contractor during the month immediately preceding the date of the Expenditure Report, and all monies to be carried forward by the Contractor for use in the subsequent month. Contractor’s Monthly Expenditure Reports shall be submitted no later than the last day of the following month for which Contractor seeks reimbursement. Each Expenditure Report shall be certified to be correct by an authorized representative of Contractor and shall reference the Contract Control number of this Agreement as designated below on the City’s signature page. Any and all incorrect payments issued to the Contractor due to any omission, error, fraud, and/or defalcation shall be recovered from the Contractor: 1) by a deduction from subsequent payments under this Agreement; 2) by refund from the Contractor to the City if no subsequent payments are due to the Contractor; 3) by the City as a debt due to the City; or 4) as otherwise permitted or provided by law.

Each Expenditure Report shall be supported with official documentation evidencing, in detail, the nature and propriety of the charges including time sheets, payrolls, receipts and any other document which may be pertinent in light of the nature of services to be performed under this Agreement and showing that services were performed within the period for which the payment is requested. Such official supporting documentation shall be maintained by Contractor at its offices listed on page one of this Agreement. Contractor shall provide the City with copies of any and all documentation supporting its Expenditure Reports upon request.

Source: 2017 contract.
3. Contractor’s Expenditure Reports will set forth the methodology used to determine costs for services and supports invoiced and will include all documentation necessary to support payment for “noncovered services” or “ineligible persons”. Contractor will identify all persons served and the services provided to them. Charges for “non-covered services” and “ineligible persons” will be identified by Contractor and only those amounts will be invoiced and paid. Each Expenditure Report shall be certified to be correct by an authorized representative of Contractor and shall reference the Contract Control number of this Agreement as designated below on the City’s signature page. Each Expenditure Report shall be supported with official documentation evidencing, in detail, the nature and propriety of the charges including applicable time sheets, payrolls, receipts, and any other document which may be pertinent in light of the nature of services and supports supplied and showing that services and supports were provided within the period for which the payment is requested. Such official supporting documentation shall be maintained by Contractor at its offices listed on page one of this Agreement. Contractor shall provide the City with copies of all documentation supporting its Expenditure Reports upon request.

Source: 2018 contract.
Appendix D – Excerpts Regarding Residency Requirements

The following figures in this appendix illustrate the residency requirement for Denver’s dedicated property tax. We included contract language and City ordinance in effect under the audit period, spanning from Jan. 1, 2017, through December 31, 2018.

Figure 11 shows contract language that directly quotes Initiative 100, which stated property tax funds are to be used “to provide services and support for children and adults of Denver” with an intellectual and developmental disability.

**FIGURE 11. Residency Requirement Contract Language In Effect up to December 31, 2017**

5. Pursuant to Colo. Rev. Stat. §27-10.5-104(6) and the provisions of the City’s Charter, the electors of the City, at the election of May 6, 2003, approved Initiative 100, which provided for an increase in real and personal property taxes within the City, for the purpose of augmenting and supplementing the tax monies previously available for funding of the CCB from the City and which read as follows:

```
SHALL DENVER’S TAXES BE INCREASED BY APPROXIMATELY $6,497,300 ANNUALLY, TO PROVIDE SERVICES AND SUPPORT FOR CHILDREN AND ADULTS OF DENVER WITH MENTAL RETARDATION OR RELATED DEVELOPMENTAL DISABILITIES, BY INCREASING THE EXISTING PROPERTY TAXES DEDICATED TO SUCH ASSISTANCE THROUGH DENVER OPTIONS, INC., THE CURRENT COMMUNITY-CENTERED BOARD FOR THE CITY AND COUNTY OF DENVER BY AN ADDITIONAL 0.860 MILL UPON ALL TAXABLE PROPERTY, REAL, PERSONAL, AND MIXED, WITHIN THE CITY AND COUNTY OF DENVER,
```

DENVER, TO BE SPENT AS A VOTER-APPROVED REVENUE CHANGE AND AN EXCEPTION TO THE LIMITS WHICH WOULD OTHERWISE APPLY, AND SHALL THE REVENUES FROM SUCH ADDITIONAL MILL LEVY BE COLLECTED AND SPENT BY THE DISTRICT WITHOUT REGARD TO ANY EXPENDITURE, REVENUE-RAISING, OR OTHER LIMITATION CONTAINED WITHIN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION OR ANY OTHER LAW?”.

Source: 2017 contract.

Note: The portion outlined by the red, dashed line emphasizes that funds are dedicated “for children and adults of Denver.” The solid black line within the figure was also added to reflect a page break in the original contract.
Figure 12 shows language from a contract renewal in 2017 between Denver Human Services and Rocky Mountain Human Services, which states the services paid for with the dedicated property tax are “for Denver residents.”

**FIGURE 12. Residency Requirement Language in Contract Renewal for 2017**

![Exhibit A-9]

<table>
<thead>
<tr>
<th>Exhibit A-9</th>
</tr>
</thead>
<tbody>
<tr>
<td>This Exhibit A9 is effective as of January 1, 2017.</td>
</tr>
<tr>
<td>Applicable for the period of January 1, 2017 to December 31, 2017.</td>
</tr>
<tr>
<td>Fourth Renewal Term.</td>
</tr>
<tr>
<td>Denver Options, Inc. dba Rocky Mountain Human Services.</td>
</tr>
<tr>
<td>SOCSV 2012-09022(A-9)</td>
</tr>
<tr>
<td>Developmental Disabilities Services for Denver Residents.</td>
</tr>
<tr>
<td>Supported by the 2017 Mill Levy Funds.</td>
</tr>
</tbody>
</table>

*Note:* The portion outlined by the red, dashed line emphasizes that funds are dedicated “for Denver residents.”

Figure 13 shows language from a 2018 contract amendment that directly refers to the City ordinance that establishes a residency requirement for individuals with intellectual and developmental disabilities who benefit from Denver’s dedicated property tax. Figure 14 on the following page shows the residency requirement codified in the City ordinance itself.


![AMENDATORY AGREEMENT]

AMENDATORY AGREEMENT

THIS AMENDATORY AGREEMENT (“Amendatory Agreement”) is made between the CITY AND COUNTY OF DENVER, a municipal corporation of the State of Colorado (the “City”) and DENVER OPTIONS, INC., (the “Contractor”) a not-for-profit corporation licensed and authorized to do business in the State of Colorado, whose address is 9900 East Iliff Avenue, Denver, Colorado 80231, collectively “the Parties”.

**RECITALS:**

A. In January 2017, the City, under authority of Ord. No. 20161071, Series of 2017, codified §53-550 in the Denver Revised Municipal Code (“D.R.M.C.”). Section 53-550 authorizes a mill levy for the purchase of services for individuals with intellectual and developmental disabilities, designates the permitted uses of the funds, provides a residency requirement for beneficiaries of the revenue, limits administrative and overhead costs, and requires an annual report from the Denver CCB to the city council.

*Source:* 2018 contract amendment.  
*Note:* The portion outlined by the red, dashed line emphasizes that City ordinance “provides a residency requirement.” The contract agreement in effect from July 1, 2018, through December 31, 2018 includes nearly identical language that City ordinance “establishes a residency requirement.”
FIGURE 14. Residency Requirement Language codified by City Ordinance in January 2017

```plaintext
(c) Residency requirement for beneficiaries of dedicated revenue. Any contract for purchase of supports or services as permitted by this section shall include provisions to require and ensure that revenue derived from the dedicated levy is expended for the benefit of children and adults who are residents of Denver in accordance with rules and regulations of the executive director of the Colorado Department of Health Care Policy and Financing promulgated pursuant to § 25.5-10-204, C.R.S., as amended.
```

Appendix E – Example of Dedicated Property Tax Payments in the City's Financial System of Record

Table 7 provides an example of how one of the City’s payments to Rocky Mountain Human Services was recorded in the City’s system of record, Workday. Payments to Rocky Mountain are recorded in the same manner as any other City transaction.

**TABLE 7. How Payments from Rocky Mountain Human Services Are Recorded in the City’s Financial System of Record**

<table>
<thead>
<tr>
<th>Journal</th>
<th>Operational Transaction</th>
<th>Journal Memo</th>
<th>Year</th>
<th>Ledger Account</th>
<th>Amount</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Journal: City and County of Denver - 01/01/2018</td>
<td>Supplier Invoice: SI-00039364</td>
<td>BILL PERIOD 11/30/17, CONTRACT# 2012-09022</td>
<td>2018</td>
<td>110100: Vouchers Payable</td>
<td>($992,453.62)</td>
<td>13304 Board / Developmentally Disabled</td>
</tr>
<tr>
<td>Operational Journal: City and County of Denver - 01/01/2018</td>
<td>Supplier Invoice: SI-00039364</td>
<td>BILL PERIOD 11/30/17, CONTRACT# 2012-09022</td>
<td>2018</td>
<td>601000: Professional Services</td>
<td>$992,453.62</td>
<td>13304 Board / Developmentally Disabled</td>
</tr>
<tr>
<td>Operational Journal: City and County of Denver - 01/12/2018</td>
<td>Supplier Payment: ROCKY MOUNTAIN HUMAN SERVICES - Remit-To: 1 - 9900 EAST ILIFF AVENUE: 01/12/2018</td>
<td>2018</td>
<td>001000: Cash</td>
<td>($992,453.62)</td>
<td>13304 Board / Developmentally Disabled</td>
<td></td>
</tr>
<tr>
<td>Operational Journal: City and County of Denver - 01/12/2018</td>
<td>Supplier Payment: ROCKY MOUNTAIN HUMAN SERVICES - Remit-To: 1 - 9900 EAST ILIFF AVENUE: 01/12/2018</td>
<td>2018</td>
<td>110100: Vouchers Payable</td>
<td>$992,453.62</td>
<td>13304 Board / Developmentally Disabled</td>
<td></td>
</tr>
</tbody>
</table>

*Source:* Workday, the City’s financial system of record.

*Note:* This represents a single transaction. Not all Workday fields are included above; we extracted only fields deemed relevant.
Office of the Auditor

The Auditor of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies and contractors for the purpose of ensuring the proper and efficient use of City resources. He also provides other audit services and information to City Council, the Mayor, and the public to improve all aspects of Denver’s government.

The Audit Committee is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the City’s finances and operations, including the reliability of the City’s financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.

Our Mission

We deliver independent, transparent, and professional oversight in order to safeguard and improve the public’s investment in the City of Denver. Our work is performed on behalf of everyone who cares about the City, including its residents, workers, and decision-makers.