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Cover photo illustration by Denver Auditor’s Office staff using, in part, images from Caring for Denver.
The objective of our audit of Caring for Denver was to determine the effectiveness of the Department of Public Health and Environment’s oversight of the Caring for Denver Foundation and what the foundation does with the city’s designated tax dollars. This included evaluating contract compliance and overall program effectiveness, reviewing the city’s role in developing the Caring for Denver ballot measure, assessing the nonprofit foundation and its board of directors, and assessing both the foundation’s progress in granting awards and the consistency of its key policies and operations. I am pleased to present the results of this audit.

The Caring for Denver Foundation operates independently but the city is still financially responsible for it. We found the foundation had accumulated over $41.5 million, as of May 31, 2020, in unspent tax revenue designated for public services that address mental health, suicide prevention, and substance misuse, among others. The audit also found the Department of Public Health and Environment needs to provide better oversight of Caring for Denver tax revenue to ensure the nonprofit foundation distributes the money strategically and in a timely manner for Denver residents’ benefit. Additionally, the Caring for Denver Foundation has existed for almost a year and a half, but it still does not have a strategic plan; this hinders its ability to operationalize key processes, fund its priorities, and fulfill its voter-approved mandate.

By amending the Caring for Denver ordinance and revising contract terms, the Department of Public Health and Environment should gain more clarity about its responsibilities to provide better oversight. The Caring for Denver Foundation’s development of a strategic plan — as well as updating policies so they align with city ordinance and revising some governance practices — should also help ensure the efficient and effective use of designated tax dollars.

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.” We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the personnel at the Department of Public Health and Environment and at the Caring for Denver Foundation 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
Caring for Denver
October 2020

Objective
To assess the Denver Department of Public Health and Environment’s ability to oversee the Caring for Denver Foundation based on city ordinance and contract terms, and to assess how the foundation’s strategic plan and its operations align with Public Health and Environment’s strategic plans, city rules and regulations, and leading practices in nonprofit management.

Background
In 2018, Denver voters approved a 0.25% increase in sales and use tax to fund behavioral health services for city residents. As part of the ordinance, supporters created a nonprofit organization called the Caring for Denver Foundation. Under a contract with the city, the foundation awards grants to city agencies and community-based organizations supporting behavioral health.

The Denver Department of Public Health and Environment oversees the city’s contract with Caring for Denver. The foundation received an estimated $37 million in 2019 to fund its operations and continues to receive monthly distributions from the city based on estimated tax revenues.

REPORT HIGHLIGHTS

Highlights from Audit
The Department of Public Health and Environment Needs to Provide Better Oversight of the Caring for Denver Foundation

- The Caring for Denver Foundation has not developed a strategic plan to carry out the voter-approved ordinance and determine funding priorities as the ordinance requires it to do. As of May 31, 2020, the foundation had accumulated almost $41.5 million in unspent tax revenue that city ordinance designates for public services that address mental health, suicide prevention, and substance misuse, among others.

  Although the foundation developed a report of its strategic funding priorities, that document lacks clear goals, objectives, strategies, key performance indicators, and timelines to help ensure the foundation implements city ordinance by awarding grants using the designated tax revenue.

- Some of the foundation’s key policies do not fully align with city ordinance, contract terms, or leading nonprofit management practices. Two policies critical to Caring for Denver’s purpose — its grant policy and its use-of-fund-balance policy — included terms and activities that were not addressed in the ordinance or the contract, and in some cases, aspects were not consistent with leading practices.

- The Caring for Denver Foundation needs to improve how it designs and implements its board policies and governing documents. Caring for Denver’s practices were inconsistent with adopted policies, and we identified gaps regarding the board of directors’ conflict-of-interest and gift disclosure policies, proper authorization of board committees, and a lack of performance evaluations.

Denver Auditor Timothy M. O’Brien, CPA
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BACKGROUND

In November 2018, Denver voters approved a 0.25% increase in sales and use taxes to pay for additional behavioral health services for city residents.¹

In its arguments supporting the ballot measure, the “Caring for Denver” campaign highlighted the urgency of addressing community needs related to mental health, suicide, opioid use, depression, and addiction. The campaign cited statistics estimating that at least 40% of Denver residents were affected in some way by these issues. According to the campaign, the $45 million generated annually by the tax increase would not just provide more services to the community but would ultimately save lives.²

By approving the tax increase, Denver residents also approved a voter-initiated city ordinance that provided for “the establishment of a special revenue fund to receive the sales and use tax revenue and for the administration of the Caring for Denver program, which will be managed by a non-profit entity.”³ The city began collecting the new tax on Jan. 1, 2019.

The ordinance requires expenditures of Caring for Denver tax dollars to be made through the Denver Department of Public Health and Environment. The ordinance requires the department to contract with a nonprofit entity to spend these tax dollars. By ordinance, the Denver Department of Public Health and Environment is the designated “expending authority” for the Caring for Denver Special Revenue Fund — meaning the department is responsible for:

- Managing the distribution of funds from the city to the nonprofit.
- “Assuring that all transactions are reasonable, necessary, and consistent with city charter, ordinances, policies and procedures, and other applicable laws.”

Expending authorities are identified in city ordinance and also “may delegate certain responsibilities such as signature authority to alternate personnel.” However, they cannot delegate “the ultimate responsibility for compliance and the maintenance of [the organization's] internal controls.”⁴

¹ Denver Revised Municipal Code § 24-700.
⁴ City and County of Denver, Fiscal Accountability Rules, “Rule 2.1 – Expending Authority Delegation” (last revised 2012).
⁵ City and County of Denver, Fiscal Accountability Rule 2.1.
The Caring for Denver ordinance calls for using the dedicated sales and use tax revenue to fund:

- Mental health services and treatment for children and adults.
- Suicide prevention programs.
- Opioid and substance use disorder prevention, treatment, and recovery programs.
- Housing and case management services to reduce homelessness, improve long-term recovery, and reduce the costly use of jails and emergency rooms for those with mental health and substance use disorder needs.

The ordinance also requires the Caring for Denver Foundation to distribute some of the tax revenue back to the city. Specifically, it requires “at least” 10% of the Caring for Denver tax revenue to go back to the city for:

- Funding a facility and staff to create alternatives to jail for people with mental health and/or substance use disorder needs.
- Fully funding a co-responder program for mental health experts to ride along with Denver police.
- Training for first responders, including paramedics and fire response, on how to properly assess and treat people with mental health and/or substance use disorder needs.

In addition, for the first two years, an additional 10% of Caring for Denver tax revenue is directed to the city for developing or expanding a facility that creates alternatives to jail for people with mental health and/or substance use disorder needs.

The ordinance requires the Caring for Denver Special Revenue Fund to supplement — rather than replace, or “supplant” — city, county, state, or federal funding for mental health and substance use disorder services that the city administered as of June 30, 2018. This is to ensure that the Caring for Denver tax revenue is used for new programs or to expand programs and services, rather than replacing funding for existing programs.

To outline which programs were already in place as of that date, the city's Budget and Management Office — with the help of other city agencies such as the City Attorney's Office and Public Health and Environment, among others — documented all city programs that were receiving funding for mental health and substance use disorder services.

This included all spending limitation categories listed in the Caring for Denver ordinance, as well as state and federal sources, as of June 30, 2018.

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7 Denver Revised Municipal Code § 24-702(2) and (3).
8 Denver Revised Municipal Code § 24-702(9).
The budget office determined total citywide funding at that time was about $13.2 million.

Voter-Initiated Ordinances

Caring for Denver originated from a voter-initiated ballot measure.

In accordance with city charter, Denver residents have the right to propose and enact ordinances by initiative and to require that existing ordinances be referred to a vote of the electorate. This voter-initiated, or “citizen-initiated,” process happens when enough residents sign a petition, and the petition is submitted to the city for review. The individuals supporting the petition must be eligible to vote on the measure and must be registered to vote in the City and County of Denver.

In June 2018, supporters of the “Caring for Denver” initiative submitted a draft ballot measure to City Council staff and the City Attorney’s Office for review, comment, and a public hearing, as required. Appendix A provides a detailed walk-through of this process, from the first public hearing on a proposed voter-initiated ordinance through its approval by voters.

Supporters of a voter-initiated ballot measure must submit a draft of their proposed ordinance to City Council staff and the City Attorney’s Office for review and comment. Within 10 days, City Council staff and the City Attorney’s Office have to provide their comments during a public meeting.

Both City Council staff and the City Attorney’s Office are restricted by city charter from requiring any changes to a voter-initiated measure; they are also barred from imposing any procedural requirements on a measure’s supporters. Once a voter-initiated ordinance passes, however it appeared on the ballot is how it must remain for at least six months. After that, the City Council can amend or repeal the ordinance up until 10 years after voters approved it.

The Clerk and Recorder’s Office then reviews the ballot measure’s title and the sample petition to ensure it complies with local and state laws and city rules. Specifically, the office focuses on the ballot title to consider whether any potential confusion might be caused by a misleading title.

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9 Denver Charter § 8.3.1.
10 Denver Charter § 8.3.1.
Voters’ approval of the Caring for Denver ordinance in November 2018 authorized an initial appropriation of $37 million in 2019 to the new Caring for Denver Special Revenue Fund.

The ordinance required that the entity spending the new tax revenue be a nonprofit organization with a specified board composition, along with some other provisions. To fulfill that requirement, the city chose to award a noncompetitive contract to a new nonprofit — the Caring for Denver Foundation. It was a “sole source” contract, which the city grants when supplies or services indispensable to the city can be obtained from only one source.

In January 2019, the City Attorney’s Office began contract negotiations with the Caring for Denver Foundation. Initial discussions focused on the foundation’s articles of incorporation and its bylaws, which resulted in some changes. For example, the City Attorney’s Office was concerned with how Caring for Denver initially wanted to structure itself through a two-board structure; the city objected to this because it violated state law. The City Attorney’s Office also had concerns with the foundation’s bylaws. City Attorney’s Office staff said the draft bylaws delegated too much authority to the foundation’s executive director and did not retain enough for the board.

In May 2019, the foundation revised its articles of incorporation with the Colorado Secretary of State’s Office to address these concerns. A five-year contract was later finalized and signed in August 2019 between the foundation and the city on behalf of the Department of Public Health and Environment. Appendix B illustrates a timeline of how the foundation established itself.

**Caring for Denver’s Board Composition** – The authorizing ordinance requires Caring for Denver’s board to have 13 members. The mayor, the district attorney, and the City Council president are each responsible for appointing the various board members. Figure 1 on the next page illustrates these appointments.

The foundation’s board of directors held its first meeting in April 2019. At that time, the board officially appointed its members as required by the ordinance. The board members also took a number of other actions including formally appointing an executive director, adopting bylaws, and developing a conflict-of-interest policy.

The executive director began staffing the organization once the city signed the contract in August 2019. As of May 31, 2020, the organization included 10 positions — with half supporting grants.
The foundation contracts with third-party providers for accounting, human resources, and some information technology support.

As shown in Figure 2 on the following page, the foundation has a relatively flat administrative structure with the executive director directly overseeing all positions.

---

**FIGURE 1.** The Caring for Denver Foundation’s Board Structure

- **APPOINTED BY THE MAYOR**
  - The executive director of Denver’s Department of Public Health and Environment or their designee.
  - The executive director of Denver Human Services or their designee.
  - The Denver city attorney or their designee.
  - The chief executive officer of the community mental health center in Denver or their designee.
  - The chief executive officer of the Denver Health and Hospital Authority or their designee.
  - The Denver district attorney or their designee.

- **APPOINTED BY THE DENVER DISTRICT ATTORNEY**
  - A representative of the juvenile justice system.
  - A person involved in the criminal justice system who has experienced, or who has advocated for those with, a mental health need or substance use disorder.
  - A person who has experienced, or is in recovery from, a mental health need or substance use disorder.

- **APPOINTED BY THE PRESIDENT OF THE DENVER CITY COUNCIL**
  - A mental health or substance use treatment provider.
  - A person with expertise in child and youth mental health services.
  - A representative of commercial business interests in the City and County of Denver with an interest in mental health or substance use disorders.
  - A person with experience addressing the mental and/or substance use needs of underserved populations.

**Source:** Auditor’s Office representation using information from city officials and Caring for Denver management.

Icons by Danil Polshin, Alina Oleyni, Vectors Point, Guilherme Furtado, and Ben Davis from the Noun Project.

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Caring for Denver initially staffed 11 positions but eliminated one position and realigned staffing resources to support grant processing in response to the COVID-19 pandemic.
Under the Denver Charter, Public Health and Environment is responsible for "administer[ing] and exercis[ing] control over all programs and functions pertaining to the physical and mental health of the people" of Denver. The director of Public Health and Environment is a mayoral appointee to the Caring for Denver Foundation’s board of directors and has a staff member assigned to monitor compliance with the contract.

Public Health and Environment oversees many services through its various divisions, including Community and Behavioral Health, Public Health Investigations, Denver Animal Protection, Environmental Quality, and the Office of the Medical Examiner.

The contract between the city and the Caring for Denver Foundation established a number of responsibilities for the Department of Public Health and Environment – including governance and administration of the special revenue fund, performance monitoring and inspection of the foundation’s activities, and the authority to distribute the designated tax revenue to the foundation, consistent with city ordinance.

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**Note:** While we used the same color to represent oversight responsibilities, that does not mean the board and department have the same oversight responsibilities or roles.

Source: Auditor’s Office representation using information from city officials and Caring for Denver management.

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**The City’s Oversight of Caring for Denver**

Under the Denver Charter, Public Health and Environment is responsible for “administer[ing] and exercis[ing] control over all programs and functions pertaining to the physical and mental health of the people” of Denver. The director of Public Health and Environment is a mayoral appointee to the Caring for Denver Foundation’s board of directors and has a staff member assigned to monitor compliance with the contract.

Public Health and Environment oversees many services through its various divisions, including Community and Behavioral Health, Public Health Investigations, Denver Animal Protection, Environmental Quality, and the Office of the Medical Examiner.

The contract between the city and the Caring for Denver Foundation established a number of responsibilities for the Department of Public Health and Environment – including governance and administration of the special revenue fund, performance monitoring and inspection of the foundation’s activities, and the authority to distribute the designated tax revenue to the foundation, consistent with city ordinance.

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**FIGURE 2. Organizational Chart for the Caring for Denver Foundation**

*Also oversees information systems **The accounting firm, NFP Partners, serves as the comptroller and accountant

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**The Department of Public Health and Environment is responsible for the physical and mental health of the people of Denver.**

---

12 Denver Charter § 2.12.1.
The ordinance and contract also authorized the city to keep a portion of the tax money to hire and pay for one full-time city employee who performs administrative functions and monitors the contract. This city employee has the authority to review methods, procedures and practices, and program data, and they can attend most foundation meetings.

The contract says, “all monitoring and review efforts shall be performed in a manner that will not interfere with the services provided under the agreement and shall not be conducted more often than annually.” Further, the contract stipulates that “monitoring and inspection shall be conducted at a mutually agreeable time to prevent unnecessary interference with the work of the foundation.”
FINDING

The Department of Public Health and Environment Needs To Provide Better Oversight of the Caring for Denver Foundation

The Department of Public Health and Environment is not providing enough oversight of the Caring for Denver Foundation to ensure the nonprofit distributes the city’s designated tax revenue strategically and in a timely manner, in accordance with city ordinance and contract requirements.

Caring for Denver lacks a strategic plan; it should create and approve one that aligns with the ordinance, ongoing city initiatives, key guiding documents, and critical administrative and operational processes.

The foundation receives substantial taxpayer funding — much of which it has yet to distribute. In 2019, Caring for Denver tax revenues were about $37 million, and these revenues are estimated to total about $180 million during the five-year term of the city’s contract with the foundation.

As of May 31, 2020, the foundation had awarded about $2.5 million in grants for new, designated programs, while having about $41.5 million available to spend on grant awards. By comparison, the city’s total funding for similar, preexisting programs from local, state, and federal sources was $13.2 million in June 2018.

The ordinance gave the foundation broad responsibilities to award grants for services similar to what Public Health and Environment already provides related to mental health, suicide, and substance use disorder prevention, treatment, recovery, and harm reduction services in Denver. We found gaps in both Public Health and Environment’s and the Caring for Denver Foundation’s understanding of those roles and responsibilities.

Public Health and Environment officials said they were uncertain about their oversight role, because although the department has charter responsibility for “the physical and mental health of the people” of Denver, it may still seek funding from the foundation.

We also found some of Caring for Denver’s key policies do not fully align with city ordinance, contract terms, and leading practices for nonprofit management. Additionally, the foundation needs to improve how it designs and implements board policies and governing documents.
The Caring for Denver Foundation Has Not Developed a Strategic Plan to Carry Out City Ordinance

The Caring for Denver Foundation Board of Directors has not developed a strategic plan as required by city ordinance and its contract with the city. The board did create a strategic funding priorities report, but that did not include recommended elements for strategic plans.

A strategic plan requirement was added to the voter-initiated ordinance by its supporters because of its vague descriptions of the purposes the nonprofit may award grants for. This ordinance requirement was later incorporated into the foundation’s contract. The foundation also included provisions in its bylaws that the board is required to develop a strategic plan. In addition, the bylaws require implementation of the strategic plan by the foundation’s executive director. But as of late June 2020, the plan was still in development.

The foundation did develop a report of its strategic funding priorities that included a mission and vision statement, both of which are essential for developing a strategic plan.\textsuperscript{13} However, the report lacks the clear goals, objectives, strategies, key performance indicators, and timelines that are integral parts of a strategic plan and would help ensure the foundation implements the Caring for Denver ordinance. Public Health and Environment management reviewed the funding priorities report. They said they found it “somewhat vague,” but they did not suggest any changes or say that it was not a strategic plan.

Thus, the foundation cannot document a detailed, actionable approach for how it will spend the designated tax revenues in accordance with the ordinance.

According to the Colorado Nonprofit Association, board members of nonprofit organizations like Caring for Denver have legal fiduciary duties including “duty of care,” “duty of loyalty,” and “duty of obedience.” Colorado law also requires nonprofit board members to fulfill these duties “in good faith,” with the care that another “prudent person in a like position would exercise under similar circumstances,” and in a manner they “reasonably believe to be in the best interests” of the organization.\textsuperscript{14} By faithfully discharging these duties, board members protect the assets of the organization for the benefit of the public.\textsuperscript{15}

According to BoardSource, an organization that provides guidance and research on board governance practices, strategic planning is a primary responsibility of a board. Specifically, it calls for boards to “play an active and substantive role in developing, approving, and supporting the organization’s strategic planning.”


\textsuperscript{14} Colo. Rev. Stat. § 7-128-401.

As a result of not yet having a strategic plan, the Caring for Denver Foundation has yet to use its significant financial resources to carry out the purposes of the Caring for Denver ordinance. The foundation initially received $24.4 million in taxpayer funding in September 2019. This was followed by additional monthly distributions that, as of May 31, 2020, accumulated to over $41.5 million.

As we mentioned, the foundation had awarded about $2.5 million in grants by that time. These grants largely went toward city-specific funding already required by ordinance, rather than outside entities and service providers.\(^\text{16}\)

For example, a grant for almost $2 million was awarded to the Denver Police Department in partnership with the Mental Health Center for Denver toward plans to expand the co-responder program and to pilot an alternative response program. Additionally, the city retained $3.7 million for developing alternatives-to-jail programs through 2019, and the city will retain $7.3 million by the end of 2020. In July, the board approved grants totaling $6.7 million — including almost $1.8 million for city alternatives-to-jail programs, which seek to provide care and treatment to reduce incarceration and recidivism.

**Caring for Denver Officials Knew about the Strategic Planning Requirement Before Voters Decided on the Ballot Measure**

As early as June 2018, city officials discussed some general ordinance language with the supporters of the Caring for Denver campaign. At the initial public hearing for the proposed ballot measure, the City Attorney’s Office asked the supporters whether they would consider directing the future board of directors to develop and periodically update a strategic plan. The supporters agreed and added a strategic plan requirement to the proposed ordinance after that hearing.

Therefore, these supporters — including the person who would later be the foundation board’s chairperson — were aware of the strategic plan requirements well before the foundation signed its contract with the city in August 2019.

The Colorado Nonprofit Association — in partnership with the Colorado attorney general, the Colorado secretary of state, and other nonprofit professionals — published a guide that helps nonprofits build their capacity, demonstrate accountability, and enhance the public’s trust in nonprofit organizations.\(^\text{17}\)

While strategic planning processes vary, the guide says plans should provide clear direction for an organization and include clearly defined,

\(^\text{16}\) Denver Revised Municipal Code § 24-702(2) and (3).

reasonably achievable, and measurable goals and objectives to achieve the organization’s current priorities while maintaining flexibility. The guide also says nonprofits should also create a written operational plan, or work plan, every year that aligns with their strategic plan and specifies how the operational plan will be implemented on an annual — or even quarterly — basis.

Meanwhile, the Government Finance Officers Association echoes that advice. It also suggests plans be flexible to respond to changes, and it recommends conducting reviews of the strategic plan every one to three years. It also says that, after developing a strategic plan, organizations need to develop annual operating or work plans. Therefore, the Caring for Denver Foundation should incorporate these suggested best practices in developing its strategic plan.

**Caring for Denver’s Status as a Component Unit Requires a Clearly Defined Relationship with the City**

Caring for Denver is not the first program of its kind in Denver; several officials said it was modeled after the Denver Preschool Program, which is also funded by designated sales and use tax revenue and operates as a component unit of the city. The city’s Department of Finance determined the Caring for Denver Foundation was a discrete “component unit” for financial reporting purposes in the city’s 2019 Comprehensive Annual Financial Report. The city’s component units are legally separate organizations, but the city is still financially accountable for them, consistent with Governmental Accounting Standards Board guidance.

According to the Department of Finance, component unit status is not a legal determination of the city’s oversight responsibilities and does not imply oversight or management of a contract. Rather, city ordinance and the city’s contract with Caring for Denver establish the Denver Department of Public Health and Environment’s oversight authority over the foundation.

However, the required disclosures about the relationships between primary governments and their component units afford governments the opportunity to clearly describe the extent to which a primary government...
can control a component unit and its resources. An ordinance may be less detailed, while contracts can include provisions to further define the relationship.

We conducted a review of the preschool program’s current strategic planning documents to compare them with Caring for Denver’s. The preschool program’s documents include goals, objectives, action steps, a timeline, responsible parties, and metrics.

Another example of stronger planning and oversight is that the Denver Preschool Program is required by contract to develop an annual work plan, as well as a strategic plan, that is submitted to the city for review. By contrast, the Caring for Denver contract does not require a work plan.

Despite the Caring for Denver ordinance and contract both requiring a strategic plan — and the established guidance from leading practices and examples of a similar nonprofit already operating with the city — the Caring for Denver Foundation Board of Directors has not yet developed a strategic plan.

A strategic plan was due to Public Health and Environment for review and comment Dec. 31, 2019, but Public Health and Environment approved an extension to that due date to Jan. 24, 2020. In January, the foundation submitted its funding priorities plan, rather than a formal strategic plan.

We continued to follow the foundation’s efforts to develop a strategic plan, but the foundation did not provide us a draft of any other plan as of June 2020. Therefore, the lack of strategic and operational plans likely contributed to the foundation’s limited progress in awarding grants and otherwise carrying out the purpose of the Caring for Denver ordinance. This has also made it challenging for Public Health and Environment to assess the effectiveness and timeliness of the foundation’s ability to carry out the purposes of the Caring for Denver ordinance.

**Many Factors Contribute to Uncertainty and Potential Conflict in Roles**

The executive director of the Department of Public Health and Environment is an appointed member of the foundation’s board of directors.

The director delegated their involvement in the board to a designee — another department employee — because of concerns about a potential conflict of interest. This conflict might arise because the director has expending authority and an oversight role over the Caring for Denver tax revenue and yet they may also request funds from the foundation.

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In accordance with the contract, the director also assigned a contract liaison to handle routine matters between the foundation and city agencies. Although the liaison has not prepared a formal performance monitoring plan for the foundation, they do maintain regular communication and did review all policies, the annual report, and the funding priorities plan. Despite these efforts, the director expressed ongoing concerns about wanting to clarify the responsibilities and the authority of Public Health and Environment.

We found many underlying factors that may be contributing to Public Health and Environment's uncertainty and concern regarding its authority, which impair the city's oversight of Caring for Denver and its funding.

**No Alignment with Other City Strategic Planning Efforts** – According to department and foundation personnel, one purpose of having specified city representatives on the board was to ensure that the foundation's work aligned with city initiatives. However, we found no documented evidence to support alignment with city plans.

For example, in January 2020, the city released its “Road to Wellness” plan — a framework for local partners in behavioral health to innovate and implement strategies and move toward achieving mutual goals for Denver's well-being. This plan was developed between October 2018 and October 2019 and incorporated work by the Colorado Health Institute and a steering committee — which included five people who are now on the Caring for Denver Foundation Board of Directors. Public Health and Environment's executive director presented the plan at one of the foundation's initial board meetings. Foundation personnel told us that the presentation focused on the city's perspective and planning efforts. However, the “Road to Wellness” report did not mention the foundation or its ordinance priorities and annual funding level.

Furthermore, the foundation’s strategic funding priorities do not mention any connection with the city’s “Road to Wellness” efforts.

**Fewer Oversight Provisions Compared to Another Nonprofit Partnership** – During this audit, we were told by staff in Public Health and Environment and the City Attorney's Office, as well as foundation staff, that the Denver Preschool Program was a model for the Caring for Denver ordinance and the foundation's contract with the city.

Therefore, we did a limited review of the original 2007 preschool program contract and its governing ordinance to find out how a similar city program was established and how it operates. We recognize that the preschool contract and program have changed since its reauthorization in 2014, but we chose to compare the Caring for Denver contract with the initial Denver Preschool Program contract because the preschool program was a newly developed nonprofit much like Caring for Denver.

In addition to the differing oversight and planning requirements we discussed previously, we found significant differences and some similarities
in using a voter-approved sales tax as a funding source and using a nonprofit to provide the services.

- The Denver Preschool Program ordinance and contract include features that allow for more city oversight and increased accountability for the nonprofit organization. For example, for its two major program categories — tuition credit standards and qualified preschool providers — the preschool program’s ordinance and contract include several measurable attributes. But the Caring for Denver Foundation does not have any for its four program categories.

- The preschool program also has more reporting responsibilities beyond annual reports and financial audits. This includes conducting and reporting on an assessment of its performance on program implementation, fiscal accountability, and responsiveness to preschool providers and other stakeholders. In addition, the program is required to submit an annual work plan to the city — including steps on program operations, quality assurance, and evaluation methods and accountability — and provide quarterly progress reports for the first two years.

- Both the preschool contract and the Caring for Denver contract contain similar audit and performance monitoring requirements, but the preschool contract has another provision that emphasizes city oversight and monitoring. It allows the city to monitor, evaluate, and review any of the preschool program’s procedures.

Some features of the Denver Preschool Program contract could be useful to Caring for Denver — such as amending both the Caring for Denver ordinance and the foundation’s contract to enhance the city’s oversight of the taxpayer spending and to help make the foundation more effective in carrying out the ordinance. For example, this enhanced oversight could include requiring Public Health and Environment’s approval of the strategic plan and selected policies and providing more specific monitoring of performance provisions.

**Limited Opportunities for Input and Clarification before Voters’ Approval** — As illustrated in Appendix A, Denver Charter provisions and city rules related to the city’s voter-initiated ordinances limit the city’s input on the content of proposed ordinances and restrict the city from imposing changes to voter petitions. However, as necessary for clarity or other reasons, voter-approved ordinances can be amended after the first six months and within 10 years following final passage.

Although there is review and comment by City Council staff and the City Attorney’s Office during a public hearing, neither City Council staff nor the City Attorney’s Office can require any change to the language of a voter-proposed ordinance.
After the hearing, the initiative’s supporters submit the proposed measure to the Clerk and Recorder’s Office, as required by either Denver Charter or state law. The Clerk and Recorder’s Office then reviews the ballot measure’s title and the sample petition to ensure they comply with local and state laws and city rules and that they avoid creating any potential confusion caused by a misleading title.

We discussed the Caring for Denver ballot initiative with the former director of the city’s Elections Division, even though their role was limited to reviewing whether the title accurately reflected the real changes detailed in the ordinance and whether the public would understand it.¹⁹

The director said the initiative process could be improved by allowing more time for the City Council review before the initial public hearing. This concern was also brought up by the Public Health and Environment director, who said the final ballot language for the Caring for Denver ordinance was essentially drafted before any city stakeholders were consulted.

**Insufficient Ordinance and Contract Guidance** – As discussed, the Caring for Denver ordinance that voters approved required the city to contract with a nonprofit corporation to disburse the designated tax revenue through grants to qualified recipients. But the four categories of where the money can go are only broadly defined, and the ordinance provides no guidance on how to allocate the money across those four categories or among the many potential uses within each category.

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**CARING FOR DENVER’S PURPOSE**

Under city ordinance, the sales and use tax revenue collected for Caring for Denver should go toward four categories:

1. Mental health services and treatment for children and adults.
2. Suicide prevention programs.
3. Opioid and substance use disorder prevention, treatment, and recovery programs.
4. Housing and case management services to reduce homelessness, improve long-term recovery, and reduce the costly use of jails and emergency rooms for those with mental health and substance use disorder needs.

The ordinance and contract language may have contributed to Public Health and Environment’s uncertainty regarding its oversight role, because the language in both documents is unclear and not sufficiently described.

¹⁹ This executive director was in charge of the Elections Division at the time of the 2018 ballot initiative.
However, either Public Health and Environment or the foundation could have taken measures to amend the ordinance and renegotiate contract terms, if necessary, in a number of areas as discussed below.

- **Supplement versus Supplant** – The ordinance and contract language are not sufficiently clear enough for the city and the foundation to implement the requirement that Caring for Denver funds supplement rather than “supplant” — or replace — funding for programs authorized by the ordinance. This applies to the total annual funding from city, county, state, and federal sources for mental health and substance use disorder services collected and administered by the city as of June 30, 2018. This requirement is important to help ensure Caring for Denver funding adds to the city’s efforts and does not take the place of any other existing funding.

The Department of Finance’s Budget and Management Office, working with other city agencies, made a significant effort to identify programs in the four funding categories. It determined that the total annual funding for those existing programs was about $13.2 million as of June 30, 2018. However, the budget office was still uncertain as to what funding sources should be included and how long the city was obligated to continue funding each of those programs.

Budget office staff said it would be helpful to formally and jointly clarify with the foundation, Public Health and Environment, and other legal stakeholders in the city not just what funding sources should be included in the baseline but also the degree to which the ordinance obligates the city to maintain that 2018 baseline funding. This would be especially important for the city to understand during economic downturns, such as the one caused by the COVID-19 pandemic in 2020. All stakeholders also need to understand what entity will be responsible for monitoring spending to ensure compliance with the supplementing-versus-supplanting requirements.

We conducted limited testing to assess the completeness of the budget office’s work and identified several city contracts that we believe, based on their scope of services, should have been included in determining that baseline funding estimate. However, we found that some contracts were not included because the budget office was unable to establish how much was applicable to mental health and substance abuse efforts. For example, a contract may fund both services related to homelessness and services for mental health and substance misuse support.

We also observed the foundation’s July 2020 board meeting when the board of directors approved $6.7 million in grants. Among those proposals, we identified one for syringe access services that appeared duplicative of the Department of Public Health
and Environment’s existing contracts for the same services. We interviewed both the department’s board designee and the foundation’s executive leadership about this proposal, and we were told that no discussions about potential supplanting occurred during the board meeting. After we interviewed both parties, they both told us they would perform additional reviews to make sure no supplanting would occur before the release of an approved grant award.

We suggest that officials with both Public Health and Environment and the foundation clarify the definitions and processes around supplanting versus supplementing to ensure current and future proposals are not in violation of the ordinance’s intent.

• **Strategic Plan** – Although the foundation developed strategic funding priorities, this plan is not a strategic plan with strategies, measurable goals, responsible parties, and a timeline. More importantly, it does not align with the Caring for Denver ordinance to provide more clarity of the ordinance’s spending purposes. For example, the foundation’s funding priorities do not mention suicide and opioid program prevention services. When we asked about their absence, we were told they were included under mental health and substance misuse. Because of the impact on communities and families as well as the ordinance’s requirements, both issues should be openly and specifically outlined in any plan. However, as we noted, Public Health and Environment did not provide any feedback on the foundation’s lack of a strategic plan.

Furthermore, the ordinance and contract require that the foundation’s strategic plan be updated no less than every three years. However, nonprofit best practices suggest annual board reviews and updating more frequently, as necessary, to be responsive to evolving community needs. While the contract is clear in requiring a strategic plan, that requirement loses its meaning when Public Health and Environment does not enforce it.

• **The Contract’s “And/Or” Addition** – The foundation’s contract was modified during negotiations to add the term “and/or” to the list of program spending categories — which may cause confusion among stakeholders. The ordinance does not use this term. Because this term may cause confusion, it should be avoided as suggested by the state of Colorado’s legislative drafting guidelines. For example, the addition of the phrase “and/or” might be interpreted that annual funding for a single category — rather than all four program categories — is allowed. However, the

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ordinance is clear that the Caring for Denver tax revenue in any year should be awarded for all program categories.

Also, the Caring for Denver ordinance is unclear on what role Public Health and Environment should have in the foundation’s funding decisions and in monitoring the use of taxpayer dollars. While Public Health and Environment is authorized to contract with the nonprofit, the ordinance does not provide guidance related to the department’s charter responsibilities for “the physical and mental health of the people” of Denver.

Although the city’s contract with the foundation did provide some oversight provisions, it does not provide sufficient or specific guidance except for submitting the strategic plan to the Public Health and Environment director. Clear and definitive ordinance and contract terms are important for the efficient and effective use of taxpayer dollars. In addition to other changes we outline in this report, Public Health and Environment should take proactive measures in conjunction with the City Attorney’s Office to propose amendments to the ordinance and negotiate changes to the foundation contract, as necessary.

**Noncompetitive Contract** – The city awarded its five-year contract for the Caring for Denver funds to the Caring for Denver Foundation without conducting any assessment to determine whether other qualified nonprofits might be interested.

Although this decision was primarily based on advice from the City Attorney’s Office that the Caring for Denver Foundation was the only nonprofit at the time that met the ordinance’s requirements for how the nonprofit board should be comprised, this decision did not look into whether other potentially qualified and experienced nonprofits existed — potentially denying them an opportunity to compete for the city contract. This also was not consistent with the intent of the city’s Executive Order No. 8, which requires city contracts to be competitively bid.21

The Caring for Denver ordinance did not require the city to contract specifically with the Caring for Denver Foundation nor did it require the city to contract with only a single nonprofit. Rather, the ordinance says the city “may” use its request-for-proposals process every five years to identify a nonprofit that would provide services “in the most efficient and effective manner.”22 Instead, the Public Health and Environment director approved the decision to use a noncompetitive, “sole source” contract based on the City Attorney’s Office’s advice.

The sole-source justification document said the Caring for Denver Foundation was the appropriate entity to award the contract to, because the ordinance is clear about the requirements for the makeup of the board

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22 Denver Revised Municipal Code § 24-701(a) and (b)(5).
and no other nonprofits at that time met those requirements. However, Executive Order 8 requires all contracts not covered by Denver Charter or city ordinance to be competitively bid, absent special circumstances.\(^{23}\)

Furthermore, the city’s own contracts handbook prepared by the City Attorney’s Office says the “request for qualifications” process — another form of competitive bidding — should be used when competitive selection is limited and the vendors’ qualifications to perform specific services are a criterion in identifying a pool of potential providers. Therefore, Public Health and Environment could have, at a minimum, issued a request for qualifications before deciding to award a sole-source contract to the Caring for Denver Foundation.

Additionally, while Executive Order 8 recommends contracts be limited to “three to five years” in duration, the Caring for Denver Foundation’s contract is for five years.\(^{24}\) In addition, justification for not using a competitive selection process and having a contract term in excess of three years should be documented. Best practices also suggest using a shorter contract term to limit risk.\(^{25}\)

While the Caring for Denver ordinance does afford the city the option to competitively bid the contract upon renewal, making a competitive bid optional allows officials to circumvent the city’s deliberative process to ensure a competitive bid for all contracts, as required by Executive Order 8. Additionally, it preempts other potentially qualified organizations from having the chance to vie for the contract.

Vague ordinance and contract language may have contributed to Public Health and Environment’s uncertainty regarding its oversight role because it was unclear and not sufficiently descriptive. And without a strategic plan, the Caring for Denver Foundation lacks a detailed, actionable approach to spending tens of millions of dollars in designated tax revenue in a timely and effective manner.

Additionally, the board cannot fully exercise its fiduciary duties to ensure that grants issued to date by the foundation are in line with strategic goals. Furthermore, without additional clarity as to its oversight authority, the Department of Public Health and Environment is not providing sufficient oversight of the Caring for Denver Foundation and the taxpayer money it receives.


\(^{24}\) Exec. Order No. 8.

RECOMMENDATION 1.1

Amend City Ordinance – The Department of Public Health and Environment, in conjunction with the Department of Finance and the City Attorney’s Office, should propose amendments to the Caring for Denver ordinance to clarify and affirm Public Health and Environment’s oversight responsibilities and to clarify spending and funding limitations and other sections, as needed.

Agency Response: Disagree

RECOMMENDATION 1.2

Revise Contract Terms – The Department of Public Health and Environment — in conjunction with the City Attorney’s Office and, as needed, the Department of Finance — should negotiate revisions to the Caring for Denver Foundation’s contract and affirm Public Health and Environment’s oversight responsibilities; specify the department’s ability to review, comment, and approve policies; and clarify other provisions, as needed.

Agency Response: Agree, Implementation Date – June 30, 2021

RECOMMENDATION 1.3

Develop Strategic Plan – The Caring for Denver Foundation Board of Directors should develop a strategic plan and submit the plan to the Department of Public Health and Environment for the department’s review, comment, and approval. In addition, the Caring for Denver Foundation should incorporate an annual work plan to supplement its strategic plan; this should incorporate specific objectives, measurable metrics, a timeline, and clear linkage to the ordinance’s purposes.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

Key Policies for Caring for Denver Do Not Fully Align with City Ordinance, Contract Terms, or Leading Practices for Nonprofit Management

The authorizing ordinance and the city’s agreement with the Caring for Denver Foundation require the organization to develop certain key policy documents. We compared the foundation’s policies as of May 31, 2020, to its authorizing ordinance, the contract terms, and city rules and regulations, as well as leading practices in nonprofit management.

We found two policies critical to the organization’s purpose — the grant policy and use-of-fund-balance policy — included terms and activities that were not addressed in either the ordinance or the contract. In some cases, aspects of the policies were inconsistent with leading practices for nonprofit management.
If not addressed, these areas of misalignment could result in the designated tax revenue being spent on activities inconsistent with the voters’ intent, and it could result in the foundation’s noncompliance with city ordinance and contract terms, as well as opportunities for fraud, waste, and abuse.

The Caring for Denver Foundation’s Grant Policy Allows Unauthorized Activities, Misstates City Ordinance and Contract Requirements, and Does Not Address Segregation-of-Duties Risks

We reviewed Caring for Denver’s grant policy because of its importance in providing guidance for the organization’s core responsibility: to award grants using taxpayer funding. Although the policy is generally consistent with city Fiscal Accountability Rules and city procurement regulations, it does not align with Caring for Denver’s authorizing ordinance or the foundation’s contract with the city in several areas.

- **Activities Not Authorized in Ordinance** – The foundation’s grant policy allows for potential loan guarantees and capital funding and construction. While city ordinance specifically identifies one facility-related project to receive funding, the ordinance is otherwise silent on loan guarantees and capital funding. Caring for Denver officials claim if the ordinance does not specifically prohibit a type of expenditure or project, the organization can decide for itself whether to fund it.

  However, we found this interpretation questionable as the purpose of an authorizing ordinance is simply that: to authorize a specific program or activity. If the ordinance is silent on an activity, that does not mean by default that the activity is consistent with legislative intent and, therefore, authorized. In our discussion with Public Health and Environment officials on this matter, they agreed that omission does not necessarily imply permission.

  As a result, the city and the foundation need to come to a formally documented and shared understanding of what the ordinance does and does not authorize.

- **Misstated Requirements** – The grant policy incorrectly says the city is designated to receive back 10% of the Caring for Denver tax revenue for specified projects, while the ordinance provides for funding of “at least 10%” — which means there can be funding above 10%. This error may potentially confuse the foundation’s board members and result in them limiting awards to city agencies.

  Additionally, the grant policy incorrectly says Caring for Denver’s funding priority areas should be updated every three years. The

26 The ordinance says the foundation should give a portion of the Caring for Denver sales and use tax revenue back to the city to help pay for a facility — and staff — that would be an alternative to jail for people with mental health and/or substance use disorders.
The ordinance and the contract both highlight the importance of more frequent reviews and updates to the foundation’s strategic plan and funding priorities. The ordinance links funding priorities with strategic planning by requiring the development of a strategic plan to identify the funding priorities. The ordinance and contract both require updating the strategic plan “no less than every three years.” This should then apply to funding priorities as well, considering the stated purpose of strategic planning in the ordinance.

- **No Segregation of Duties in Executive Director’s Approval Power** – The grant policy allows the Caring for Denver Foundation’s executive director to approve grant awards of up to $50,000 without approval from the board. But the foundation has not established sufficient review or approval processes to reduce the risk of potential abuse.

The contract requires that the grant policy align with city Fiscal Accountability Rules, which provide guidance for city entities on a wide range of financial management activities, including segregation of duties.\(^{27}\) “Segregation of duties” requires the involvement of multiple individuals so no one person controls all steps in a process or fiscal activity.

In addition, leading practices, like the Colorado Nonprofit Association, also recommend this division of responsibilities among staff as a safeguard against potential fraud and abuse.\(^ {28}\) In small organizations with limited staff, management should establish other compensating controls to manage the risk. Controls can simply be thought of as management tools that ensure an activity occurs as intended. They can include written policies and procedures, internal reviews and verification processes by other staff, and reporting requirements, to name a few.\(^ {29}\)

Foundation staff are required to review and recommend approval or rejection of grant proposals, but this process does not provide a sufficient check on the executive director’s authority to approve awards of $50,000 or less. The policy does not require the executive director to provide justification for decisions that contradict recommendations made by staff.

Although the policy does require staff to provide some information on these smaller-dollar awards to the board, the board is not required to sign off on the awards, even after-the-fact — which limits the board members’ ability to ensure public accountability for the money and to fulfill their fiduciary duties.

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\(^{27}\) City and County of Denver, Fiscal Accountability Rules, “Rule 2.4 – Separation and Rotation of Duties” (last revised 2008).


Additionally, the executive director is not limited in giving multiple grants to a single entity. A grant can be split up into increments below $50,000 and multiple grants could be awarded to a single entity to circumvent the board's review and approval.

Considering the small size of the foundation and the risks commonly associated with small organizations, the Caring for Denver Foundation would benefit from a complete segregation-of-duties assessment in accordance with its own fiscal policies to determine whether its processes to identify and approve grant awards are effective at reducing the risk of fraud and to ensure an adequate segregation of duties across all program operations.

As a result of these misalignments with city ordinance, the contract, and leading practices, the Caring for Denver Foundation may award grants that are not in compliance with city ordinance. Additionally, the organization can deny or inadvertently limit grants to city agencies, strategic funding priorities may not be updated in a timely manner to meet evolving needs, and without additional safeguards, less scrupulous executive directors could potentially abuse their sole authority to award grants of $50,000 or less.

The problems we identified may be caused by the Department of Public Health and Environment’s lack of authority to review, comment, and approve the Caring for Denver Foundation’s policies. Specifically, the contract between the department and the foundation allows Public Health and Environment to monitor and inspect the foundation’s methods, procedures, practices, program data, and more, but it does not clearly authorize the department to require that Caring for Denver make changes.

Further, this monitoring effort is limited to an annual review and requires Public Health and Environment to perform these efforts only at a mutually agreeable time, so as to prevent interference with the foundation’s work. These restrictions on the department’s ability to monitor may reduce the effectiveness of that monitoring.

In addition to the department’s limited authority, the Caring for Denver Foundation is still a new organization. It did not exist before voters approved the authorizing ordinance. It completed its first year of operations in April 2020, although it did not receive any funding until mid-September 2019. As processes are implemented for the first time, it is not uncommon for organizations to identify gaps and inefficiencies that may require revisions to either policy terms or operating procedures.

As a small organization that has established systems for accounting, payroll, and grant management — as well as related policies and procedures — the foundation should continually review its procedures to determine whether existing internal controls are effective or need to be enhanced.

As a result of these misalignments, the Caring for Denver Foundation may award grants that are not in compliance with city ordinance.
The Caring for Denver Foundation Only Partially Developed Financial Policies to Address Its Use of Fund Balances

Caring for Denver’s contract with the Department of Public Health and Environment requires the foundation to develop a policy that addresses its use of fund balances. However, the contract does not specify the types of policies the organization should develop.

As a way to measure available financial resources, the term “fund balance” broadly refers to the difference between assets and liabilities. Based on the vague contract language and a broad understanding of fund balance, the contract could be interpreted as calling for Caring for Denver to have multiple financial management policies applicable to how the organization manages unspent funds — such as strategic plans and reserve and investment policies.

We originally concluded our audit work on April 1, 2020, but we requested an update on Caring for Denver’s development as of May 31, 2020, related to the issues we identified. Although the Caring for Denver Foundation had adopted a reserve policy by then that identifies the purpose and targets for dollar amounts it should maintain, we found the organization did not have an investment policy and other key guiding documents, like a strategic plan, that are necessary to develop and inform financial policies.

In our May 31 update, we learned the board of directors approved an investment policy at its May 2020 meeting, but while Caring for Denver officials said they planned to finalize a strategic plan in July 2020, that has not happened — as we discussed previously, beginning on page 9.

The foundation’s reserve policy sets targets for the administrative reserve at a minimum of a one-month average, and it sets reserves for program expenses at between 3% and 6% of the current year’s expenses.

The National Council of Nonprofits provides financial management guidance and sample policies from Propel Nonprofits, a group that provides guidance, research, and capital for developing nonprofits. Propel Nonprofits’ guidance on reserve policy development says operating reserves of between three and six months of expenses is a common threshold — although specific circumstances, like the organization’s cash flow and purpose, should be considered. Furthermore, other policies — like financial, budget, disaster preparedness, and investment policies — also affect what factors should be considered when developing a reserve policy, selecting target balances for reserve accounts, and managing reserve funds.30

The Colorado Nonprofit Association also says nonprofit boards should develop and document an investment policy in line with the organization’s goals and risk tolerance. A strategic plan should serve as a guide for developing an investment policy by identifying opportunities for community

impact and articulating the resources required to achieve that impact. Without Caring for Denver having strategic goals, we cannot evaluate the appropriateness of Caring for Denver's rationale in setting its reserve targets and investment plans.

Because of the timing of our review, the foundation's status as new and developing, and the foundation's limited progress so far in granting funds, its cash on hand exceeds the organization's reserve targets.

As of May 31, 2020, the foundation maintained its funds in several accounts with US Bank including an “insured cash sweep” account for unspent program funds, which totaled about $41.5 million. For three months, the unspent program funds were deposited in US Bank accounts that exceeded the Federal Deposit Insurance Corp., or FDIC, limit of $250,000. However, as of December 2019, the foundation began placing funds into money market deposit accounts. These deposits are in amounts less than the standard FDIC insurance maximum, so that both principal and interest are now eligible for FDIC protection.

The foundation's delay in developing a strategic plan and an investment policy may have stalled the organization's progress in meeting its mission, and it may have cost the foundation potential investment income from its considerable fund balance. Additionally, Caring for Denver's reserve policy may be insufficient to maintain prudent levels of reserves and ensure the foundation's operational and financial stability.

Once the board approves a strategic plan, Caring for Denver should review its strategic goals and its financial policies to ensure the policies are appropriate to and consistent with its strategic plan.

Both City Ordinance and the Foundation’s Contract with the City Lack Guidance for How to Handle Partial-Year Administrative Costs and Interest Income

City ordinance and the Caring for Denver Foundation’s contract with the Department of Public Health and Environment lack guidance for handling some administrative expenses that impact the money available for program services. The following issues share a common impact, in that the money is redirected from program services to unrestricted administrative funds. These unrestricted administrative funds are under the control of the Caring for Denver executive director and the foundation’s board. The money reserved for program services is still controlled by the director and the board, but by contrast, these dollars are subject to spending limitations in the ordinance.


32 The Federal Deposit Insurance Corp. is a federal agency that protects consumers from bank failures by insuring deposits of up to $250,000 per account. An “insured cash sweep account” refers to a bank service that allows customers to remain insured for the full amount of their deposit even if it exceeds $250,000, by placing funds in multiple accounts.
**Partial-Year Contract Administrative Expense** – In 2019, the foundation retained $700,000 of unused administrative funding despite being under contract with the city for only four months of the year. The ordinance provides that no more than 5% of the Caring for Denver tax revenue in any year shall be spent on administrative expenses. The ordinance also allows for the foundation to carry forward unused amounts of administrative funding for a full calendar year of operations. However, the contract is silent on a partial year of operations.

The foundation incurred $1.1 million in administrative expenses in the four months it was active in 2019; however, they collected the full $1.8 million in administrative funding possible for that year. The foundation’s initial expenses included upfront expenditures such as start-up costs, reimbursements for employee salary and benefits, and incorporation fees.

We found this retention of $700,000 and removal of donor restrictions to be questionable, because the authorizing ordinance and contract do not address partial year administrative spending. If the ordinance is silent on an activity, that does not mean by default that the activity is consistent with legislative intent and, therefore, authorized. And because the contract was silent on this circumstance, the city should clarify the intent of these funds and ensure the dollars fund program services authorized by the ordinance.

**Investment Income on Program Tax Dollars** – In 2019, the foundation redirected over $118,000 in interest income to funds available to the foundation for its use without any ordinance funding restrictions. This interest was investment earnings primarily on Caring for Denver program services funds, which totaled about $32.5 million at year’s end.

In May 2020, the foundation formalized this practice into a fiscal policy in which investment income earned on any funds invested will be allocated to its unrestricted administration fund subject to the board’s discretion. The audit team estimates that in 2020, because of a decline in interest rates, total interest earnings could be about $180,000 based on the foundation’s May 2020 financial statements.

The Caring for Denver ordinance and the foundation’s contract are silent on how the foundation should handle interest on program funds held by the foundation. In addition to the authorizing ordinance, City Council passed a second ordinance to set up the structure to collect and deposit the sales tax funds, known as the Caring for Denver Special Revenue Fund.33

That fund ordinance suggests — and the city’s Fiscal Accountability Rules require — that interest and investment income should be treated in accordance with any limitations of the authorizing ordinance.34 In simple terms, according to these requirements, this income should be dedicated

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34 City and County of Denver, Council Bill No. 19-0081; City and County of Denver, Fiscal Accountability Rules, “Rule 6.2 – Interest Allocation” (last revised 2008).
primarily to program expenditures rather than classified as unrestricted administrative funds. Again, the department should assess whether Caring for Denver's treatment of this income is consistent with city rules and renegotiate and clarify contract terms as needed.

Because it was toward the end of our audit work that we identified Caring for Denver's classification of funds as unrestricted, we were not able to verify the appropriateness of this practice or the extent to which Caring for Denver had classified funds as unrestricted. Although it may be fairly common for traditional nonprofit organizations to unrestrict donor funds at some point, we question the appropriateness of this practice when Caring for Denver's sole source of funding is taxpayer dollars designated by ordinance for specific purposes.

Due to the risks involved, we find it important to bring this issue to the department's attention.

When we reviewed the contract terms, we did not see a reference to how and when Caring for Denver may classify funds as unrestricted, although they are allowed to carry forward unspent funds for administrative and programmatic expenses.

Additionally, unlike the preschool program's contract, the Caring for Denver contract does not include provisions to prevent the foundation from abusing its ability to carry forward unspent funds. The preschool program contract allows for the city to reduce the tax dollars distributed if the program's balance of unspent funds carried forward is more than the annual appropriation. The Caring for Denver contract omitted this provision — creating an opportunity to misuse taxpayer dollars, particularly if there are no clear provisions related to the ongoing restriction of these funds for the purposes designated in ordinance.

Because of the high level of risk and considerable taxpayer funds involved, Public Health and Environment should review the contract terms as written and ensure clarity both regarding the permanent restriction of Caring for Denver funds for purposes outlined in the ordinance and regarding the foundation's compliance with that restriction. Additionally, should the city select some other nonprofit to run the program in the future, it is important the city ensure that any unspent fund balance and investment income generated from that balance support the voter-approved purposes.
RECOMMENDATION 1.4

Review and Revise Key Policies for Alignment with Requirements – The Department of Public Health and Environment should review the Caring for Denver Foundation’s policies and procedures in accordance with its authority to monitor performance. This review should ensure that all financial policies and procedures comply and align with the Caring for Denver ordinance, contract terms, and leading nonprofit management practices including the carry forward and treatment of administrative expenses and investment income.

This should include a review of methods, procedures, and practices for the grant policy, the investment policy, and the reserve policy to identify any gaps between the written policies and the ordinance and contract requirements. If the review identifies discrepancies, Public Health and Environment should work with Caring for Denver to ensure revisions are made.

Agency Response: Agree, Implementation Date – June 30, 2021

RECOMMENDATION 1.5

Conduct Segregation-of-Duties Assessment – The Caring for Denver Foundation should conduct a full segregation-of-duties assessment of operations to ensure segregation-of-duties risks are identified and that policies are designed to appropriately limit any associated risk. Specifically, this should include identifying and mitigating risks regarding the executive director’s authority to approve grant awards of $50,000 or less.

Agency Response: Agree, Implementation Date – March 31, 2021

RECOMMENDATION 1.6

Review and Revise Financial Management Policies for Strategic Consistency – Once the Caring for Denver Foundation develops a strategic plan as directed in Recommendation 1.3, it should review strategic goals and its financial policies to ensure that these policies are appropriate to its goals. This review should include the investment policy and associated strategies, as well as the minimum and maximum targets outlined in the reserve policy. As warranted, the Caring for Denver Foundation should revise its financial management policies based on the organization’s strategic goals, investment risk, and cash flow position.

Agency Response: Agree, Implementation Date – March 31, 2021
The Caring for Denver Foundation adopted a conflict-of-interest policy and some governing documents, like its founding bylaws, that are generally consistent with city rules and leading practices in nonprofit management. However, we found other practices were inconsistent with these adopted policies, and we also found unclear policy provisions and gaps in developed procedures. Specifically:

- Board members’ conflict-of-interest disclosure forms demonstrate an inconsistent understanding of what to disclose, and the foundation did not comply with its own policy for 2019 gift disclosures.
- Caring for Denver’s board of directors did not authorize its executive committee through a resolution or charter, as is required by bylaws and leading practices. Board governance documents do not outline the executive committee’s role, its membership, or the limitations on its authority.
- And, the board has not completed performance evaluations as called for in the executive director’s employment contract, as well as in leading practices.

A strong and transparent governance culture is critical for the Caring for Denver Board of Directors’ credibility, as well as the foundation itself.

A strong and transparent governance culture is critical for the Caring for Denver Board of Directors’ credibility and ability to fulfill its oversight duties. Because the Caring for Denver ordinance requires specific board representation from other city entities and community-based organizations — all of which are likely to also seek funding from Caring for Denver — opportunities for fraud and the risk of conflicts of interest increase.

As we discussed earlier, according to the Colorado Nonprofit Association, board members have legal fiduciary duties including “duty of care,” “duty of loyalty,” and “duty of obedience.” Colorado law also requires nonprofit board members to fulfill these duties “in good faith,” with the care that another “prudent person in a like position would exercise under similar
circumstances,” and in a manner they “reasonably believe to be in the best interests” of the organization.\textsuperscript{35}

Based on the Caring for Denver Foundation being a new and developing nonprofit organization, we have focused our findings and recommendations on critical guiding documents and policies that address the tone and direction of the organization’s operations and governance culture. A strong governance culture helps to ensure board members properly exercise their duties of care, loyalty, and obedience.

\begin{itemize}
  \item \textbf{Duty of Care:} Decision-making and oversight — including attending meetings, exercising due diligence to be informed, asking probing questions, understanding fiduciary responsibility, and complying with the organization’s governing documents.
  \item \textbf{Duty of Loyalty:} Managing personal interests, organizational interests, and those of related parties — including proper disclosure of any potential conflicts of interest, not using organizational opportunities for personal gain, and always acting in the best interest of the organization.
  \item \textbf{Duty of Obedience:} Complying with federal, state, and local laws — including exercising high public standards, guarding the organization’s mission, and meeting the spirit, not just the letter, of applicable laws and the organization’s governing documents.
\end{itemize}

\textbf{Conflict-of-Interest Disclosure Practices and Gift Reporting Procedures Are Inconsistent and Unclear}

We observed inconsistencies in how Caring for Denver applies its conflict-of-interest disclosure process that could be improved through clarification, additional training, and changes to the annual disclosure forms.

\textbf{Inconsistent Understanding and Reporting of Conflicts of Interest} –
According to the National Council of Nonprofits, the two mandatory components of any conflict-of-interest policy require disclosure of potential conflicts and recusal from decision-making once a conflict is confirmed.\textsuperscript{36} Beyond these two steps, it is up to each nonprofit board to determine how to manage conflicts of interest.

Oftentimes, board members may serve in more than one organization in similar or related fields based on their expertise and organizational needs.

\textsuperscript{35} Colo. Rev. Stat. § 7-128-401.

\textsuperscript{36} The National Council of Nonprofits is an advocacy organization that provides resources and tools for nonprofits related to financial management, governance, and ethics and accountability.
In these cases, the individual has a duty of loyalty to both organizations that may not always line up, although it may have nothing to do with personal gain. For some boards, this may involve a more nuanced approach to address such a “duality of interest or loyalty.”

Specifically, in organizations where board members are also government representatives or where they represent other related organizations, dual loyalty raises complicated questions that go beyond financial benefit.

This is the case with the Caring for Denver Foundation Board of Directors, because city ordinance requires a certain board composition of representatives from city agencies and from other organizations with similar missions in behavioral health. Although Caring for Denver board members received training in October 2019 and have had continued discussion about potential conflicts, it was initially unclear what leadership’s expectation was regarding this type of potential conflict.

When we asked Caring for Denver officials to clarify their expectation, they said the organization expects its board members to disclose these relationships and recuse themselves from voting on matters that involve their respective agencies. However, the board members’ annual disclosures did not consistently reflect this expectation.

When representing more than one organization, a board member owes each organization a duty of loyalty. In some cases, these loyalties may never conflict; in others, a board member may be forced to act in the interest of one organization over the other. At a minimum, about half of Caring for Denver’s board members have at least the appearance of a “duality of interest or loyalty.” However, our review of 2019 annual disclosures found city representatives on the board inconsistently reported this duality, and in some cases, they did not disclose it at all.

According to leading nonprofit management practices, such a duality of loyalty poses both potential benefits and conflicts to an organization. Sample policies for other nonprofit organizations concerned about duality of interest or loyalty go so far as to define specific relationships that board members should be aware of. Other safeguards may also include posting these relationships in the board roster and having ongoing discussions during board meetings of hypothetical scenarios that may be relevant.


Such safeguards serve many purposes, including providing regular reminders of potential conflicts. They also help for training purposes and in leveraging relationships that may benefit the organization in some way. By clarifying the organization’s expectation and reinforcing that expectation by listing these types of relationships in annual disclosure forms and providing additional training as needed, the organization’s leadership can leverage relationships where appropriate and also better safeguard against potential conflicts that would harm the organization’s credibility or create opportunities for fraud.\textsuperscript{40}

**Unclear Requirements for Gift Disclosure** – We also found that documented procedures in 2019 were not consistent with the foundation’s policy for reporting gift disclosures. The foundation’s conflict-of-interest policy closely mirrors the city’s general gift disclosure requirements in city ordinance. For example, Caring for Denver requires annual gift disclosure statements by Jan. 31 of each year for the preceding year, which is similar to the financial disclosure form required for some city employees discussed in the city’s 2018 Ethics Handbook.\textsuperscript{41} However, the city requirement allows exceptions when city employees do not receive a gift to report.

The Caring for Denver Foundation did not collect any gift disclosure forms for 2019 because no member said they had a gift to report. However, the foundation’s policy does not include a condition that allows for not reporting when no gift was received. The policy says each interested person (i.e., board member) and employee shall file a disclosure form annually.

If the intent is to mirror the city’s financial disclosure reporting process, the Caring for Denver Foundation should amend its policy to clarify reporting exceptions. Otherwise, like the annual conflict-of-interest statement, the gift disclosure form should include a statement certifying no gift was received and all employees and board members should submit the form annually to comply with the policy as written. Caring for Denver officials said they would adjust their procedures for future reporting to include a certification of nothing to disclose.

**The Board of Directors Did Not Authorize Its Executive Committee in Accordance with Bylaws and Leading Practices**

Caring for Denver’s conflict-of-interest policy refers to an executive committee that receives reports on gift disclosures and that can take enforcement actions. However, this committee was not defined in the policy or the foundation’s bylaws. Caring for Denver officials said the board of directors authorized the executive committee by default when it approved a conflict-of-interest policy mentioning the committee.

\textsuperscript{40} Masaoka.
However, Caring for Denver’s bylaws require a board resolution or approved charter for committees, which would outline their purpose and membership requirements. Furthermore, BoardSource — an organization that trains and supports nonprofit leaders — says boards should place limits on the authority of executive committees in the organization’s bylaws. Otherwise, these committees may make major organizational decisions that should be made by the full board.\(^2\)

Caring for Denver's conflict-of-interest policy does not define executive committee membership, nor does it limit the committee's authority. To ensure the executive committee remains accountable to the board, Caring for Denver should define the committee’s membership and limit its authority in the organization’s bylaws.

Caring for Denver officials said the board reviewed a charter for the executive committee in May 2020 and they planned to adopt a final version in June. Because we concluded our audit work with the May 31, 2020, update, we did not review June meeting minutes to confirm whether the board had approved the charter as planned.

### The Board Has Not Completed Evaluations as Required by Governing Documents and as Recommended by Leading Practices

According to the executive director’s employment contract, the Caring for Denver board of directors should have evaluated the executive director’s performance by mid-March 2020. However, as of May 31, Caring for Denver officials said this had not been done because of the COVID-19 pandemic but they hoped to have completed it by “mid-year.”

The contract also requires the board to develop policies and procedures and attach them to the contract to guide this performance evaluation process. However, Caring for Denver officials said these, too, were not completed. Although the contract specifies “as soon as is practicable,” it is reasonable to expect these procedures would be in place before the deadline to complete the evaluation process.

In addition to the employment contract, leading nonprofit management practices highlight the importance of annual performance evaluations for executive management.\(^3\)

Leading practices also recommend board members perform regular self-evaluations of board performance and they also recommend more broadly for the board to promote a culture of evaluation.\(^4\) The Caring for

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\(^4\) BoardSource; Colorado Nonprofit Association.
Denver board has not identified procedures for self-evaluation. However, considering the timing and the status of the organization’s development, this should be on the board’s agenda for the current year to comply with a recommended two-year cycle.

The Colorado Nonprofit Association refers to evaluation as an essential responsibility of a board to assess its impact, learn from previous work, and demonstrate progress toward achieving the organization’s mission. Not only are evaluation results critical to determining progress, they also help establish accountability and provide valuable information that allows the board to exercise duty of care.\textsuperscript{15}

As we previously discussed, because Caring for Denver completed its first year of operations in April 2020, certain policies and practices may still be under development or have terms that require revision after initial attempts to implement. Because the board’s composition increases the risk of potential conflicts of interest — both in appearance and in fact — consistent and transparent conflict-of-interest practices and board oversight procedures are critical to the organization’s credibility.

Evaluation activities also reflect on how well the board exercises its fiduciary duties of care, loyalty, and obedience. As a result, Caring for Denver management and its board of directors should review these policies and practices and take steps to amend policy, practice, or both to align with leading practices and the spirit of requirements outlined in the organization’s own governing documents.

**RECOMMENDATION 1.7**

**Clarify and Reinforce Expectations for Conflicts of Interest** – The Caring for Denver Foundation’s leadership should clarify its expectation regarding dual interests and reinforce this by listing the types of relationships it expects members to disclose on its annual conflict-of-interest disclosure form. Leadership should also provide additional and ongoing training to board members as recommended in leading practices.

**Agency Response: Agree, Implementation Date – March 31, 2021**

RECOMMENDATION 1.8

Review and Amend Board Policies and Procedures – The Caring for Denver Foundation should review its board policies and the procedures intended to demonstrate compliance with those policies to ensure they align with the intended purpose. At a minimum, this review should include the conflict-of-interest and gift disclosure policies. If either does not align with the organization’s purpose for having the policies, the foundation should consider amending its policy, its compliance procedures, or both to better address the organization’s intended purpose.

The Caring for Denver Foundation should consider similar review and amend processes as it develops and implements other board policies to ensure consistency with and relevance to intended purpose.

Agency Response: Agree, Implementation Date – March 31, 2021

RECOMMENDATION 1.9

Duly Authorize Executive Committee – The Caring for Denver Foundation Board of Directors should duly authorize its board committees and follow procedures in accordance with the organization’s bylaws and leading practices as they relate to authorizing committees. Specifically, the board should amend its bylaws to authorize the executive committee, outline the committee’s membership requirements, and place limits on its authority to act on behalf of the board.

Agency Response: Agree, Implementation Date – Dec. 31, 2020

RECOMMENDATION 1.10

Promote and Conduct Evaluations – The Caring for Denver Foundation Board of Directors should ensure it promotes a culture of evaluation through periodic and regular self-evaluations of board performance, and it should develop and implement evaluation procedures to assess the annual performance of the foundation’s executive director.

Agency Response: Agree, Implementation Date – Dec. 31, 2020
RECOMMENDATIONS

The agency narratives below are reprinted verbatim from the agency’s response letter, shown in the next section of this report.

1.1 **Amend City Ordinance** – The Department of Public Health and Environment, in conjunction with the Department of Finance and the City Attorney’s Office, should propose amendments to the Caring for Denver ordinance to clarify and affirm Public Health and Environment’s oversight responsibilities and to clarify spending and funding limitations and other sections, as needed.

**Agency Response: Disagree**

*Agency Narrative: In partnership, the Department of Public Health & Environment, City agency partners, and Caring for Denver Foundation agree that clarification of the Department of Public Health & Environment’s oversight responsibilities is needed. Additionally, a review of the spending and funding limitations will be conducted as needed. We believe that rather than changing the voter-approved ordinance language, this level of clarification can be suitably handled within Finding 1.2 by addressing these needs for clarification, and other aspects of the relationship and associated work, by revising the contract terms.*

1.2 **Revise Contract Terms** – The Department of Public Health and Environment — in conjunction with the City Attorney’s Office and, as needed, the Department of Finance — should negotiate revisions to the Caring for Denver Foundation’s contract and affirm Public Health and Environment’s oversight responsibilities; specify the department’s ability to review, comment, and approve policies; and clarify other provisions, as needed.

**Agency Response: Agree, Implementation Date – June 30, 2021**

*Agency Narrative: In partnership, the Department of Public Health & Environment, City agency partners, and Caring for Denver Foundation agree that revisions to the Caring for Denver Foundation’s contract are needed to clarify the Department of Public Health & Environment’s oversight responsibilities; specify the department’s ability to review, comment, and approve policies; and clarify other provisions, as needed. The Department of Public Health & Environment will review the terms and language of the Denver Preschool Program contract to consider as an additional resource when further clarifying the Caring for Denver contract. The Department of Public Health & Environment, City Attorney’s Office, and Department of Finance will work with Caring for Denver Foundation to negotiate amended contract terms before June 30, 2021.*

1.3 **Develop Strategic Plan** – The Caring for Denver Foundation Board of Directors should develop a strategic plan and submit the plan to the Department of Public Health and Environment for the department’s review, comment, and approval. In addition, the Caring for Denver Foundation should
incorporate an annual work plan to supplement its strategic plan; this should incorporate specific objectives, measurable metrics, a timeline, and clear linkage to the ordinance’s purposes.

**Agency Response: Agree, Implementation Date – Dec. 31, 2020**

**Agency Narrative:** As a nonprofit organization that is committed to integrating best practices throughout our organization, we agree with Recommendation 1.3. The Ordinance required the Board of the non-profit corporation to develop a strategic plan that identified and prioritized funding areas and required public input into the use of the Caring for Denver Fund.

The first step in the development of the strategic plan was the development of the strategic funding priorities. The Caring for Denver Board met to identify mission, vision and values in an October 2019 retreat. In the fall of 2019, we prioritized connecting with the Denver community to gather perspectives and insights on what our initial funding priorities should be. These outreach events, both in-person, over the phone and online (in English and Spanish), led to engagement of 1,600 residents. We relied on their knowledge, experience, and collaboration to identify and inform our funding areas:

- **Alternatives to Jail:** Greater supports, connections, practices, and opportunities to redirect people with mental health and substance misuse crises away from the criminal justice system.
- **Community-Centered Solutions:** Use community knowledge, strengths, and resources to foster local connectedness and support.
- **Youth (0-26):** The earlier and more resources we can provide Denver’s youth, the less crisis and need for costly services later in life.
- **Care Provision:** Better support access to quality mental health and substance misuse care at the right time.

This community input along with Board input went into the development of the Strategic Funding Priorities which was submitted to DDPHE for input and acceptance on January 24, 2020. In addition, this document was shared with City Council and the public for additional feedback.

Since the development of the Strategic Funding Priorities document, we have continued to engage community experts and the Board of Directors to refine these visions for investments. These inputs have been incorporated into the development of Caring for Denver’s strategic plan that was approved by the Board at the September 2020 Board meeting. These inputs have also been the foundation for defining the intended impacts for the funding areas, which have been included in the requests for grant proposals that have been released to date. We continue to define and refine the objectives and measures through Board and community input and will have these tasks completed in 2020. Caring for Denver will share the strategic plan with DDPHE and follow the oversight responsibilities as outlined in the contract related to this strategic plan.

As a nonprofit foundation that is particularly responsible to the public, we support continuous learning which encourages openness, innovation, and a preparedness to change and will make this strategic plan a living document. We developed this strategic plan in a thoughtful and deliberate way to ensure it is a usable plan—one that informs the organization’s activities as well as its long-range view, and one that yields meaningful improvements in effectiveness, capacity, and relevance in partnership with the community.
As outlined in the strategic Plan, the organization has developed a learning and evaluation infrastructure for implementing the strategic Plan. This infrastructure is the basis for the development of the workplan and related implementation materials, to include: 1) documentation of success indicators and intended implementation timelines with respect to meeting the strategic plan objectives, 2) the structure for regular staff assessment of progress on identified objectives and intended work, and 3) documentation of strategic adaptation of intended work based on progress and learnings to support realtime, strategic improvements throughout the year.

1.4 **Review and Revise Key Policies for Alignment with Requirements** – The Department of Public Health and Environment should review the Caring for Denver Foundation's policies and procedures in accordance with its authority to monitor performance. This review should ensure that all financial policies and procedures comply and align with the Caring for Denver ordinance, contract terms, and leading nonprofit management practices including the carry forward and treatment of administrative expenses and investment income.

This should include a review of methods, procedures, and practices for the grant policy, the investment policy, and the reserve policy to identify any gaps between the written policies and the ordinance and contract requirements. If the review identifies discrepancies, Public Health and Environment should work with Caring for Denver to ensure revisions are made.

**Agency Response: Agree, Implementation Date – June 30, 2021**

**Agency Narrative:** Per Finding 1.2, the Department of Public Health & Environment will negotiate the terms of the contract to clarify the Department's authority to review Caring for Denver Foundation's policies and procedures and ensure compliance with City policies and procedures. The Department of Public Health & Environment agrees to review Caring for Denver Foundation's policies, procedures, methods, and practices to ensure that all financial and grantmaking policies and procedures comply and align with the ordinance, contract terms, and leading nonprofit management practices. That review will include 1) the carry forward and treatment of administrative expenses and investment income, 2) the grant policy, 3) the investment policy, 4) the reserve funds policy, and 5) other policies and procedures further identified by the Department of Public Health & Environment that warrant additional review. If any concerns or discrepancies are identified, the Department of Public Health & Environment will work with Caring for Denver Foundation to ensure revisions are made.

1.5 **Conduct Segregation-of-Duties Assessment** – The Caring for Denver Foundation should conduct a full segregation-of-duties assessment of operations to ensure segregation-of-duties risks are identified and that policies are designed to appropriately limit any associated risk. Specifically, this should include identifying and mitigating risks regarding the executive director's authority to approve grant awards of $50,000 or less.

**Agency Response: Agree, Implementation Date – March 31, 2021**

**Agency Narrative:** Caring for Denver acknowledges that the grant procedures should be more clearly documented. The process for grant review—including the Executive Director's grant approval—is the same regardless of the size of the grant. All grants are reviewed by the Director of Grants, one or two other members of the team, Director of Operations, and the comptroller (NFP Partners). Any grants
awarded under the authority of the Executive Director are communicated to the Board and posted on
the website, including the name of organization, purpose, and amount.

The grants management system does require the Executive Director, as well as the assigned staff, to
provide justification for grants approved or declined.

While neither Caring for Denver nor the audit have identified any specific issues that have resulted
from the lack of a documented process, we recognize and appreciate that the audit’s recommendation
is a best practice and will take steps necessary to address their concerns.

Consistent with nonprofit best practice, Caring for Denver had an audit completed by BKD, Caring
for Denver’s independent, contracted CPA, in March 2020. The auditors from BKD reviewed financial
systems and internal controls for deficiencies and found no significant deficiencies or material
weaknesses. The grants procedure controls and design will be a part of the next Caring for Denver
audit.

1.6 **Review and Revise Financial Management Policies for Strategic Consistency** – Once the Caring for
Denver Foundation develops a strategic plan as directed in Recommendation 1.3, it should review
strategic goals and its financial policies to ensure that these policies are appropriate to its goals.
This review should include the investment policy and associated strategies, as well as the minimum
and maximum targets outlined in the reserve policy. As warranted, the Caring for Denver Foundation
should revise its financial management policies based on the organization’s strategic goals,
investment risk, and cash flow position.

**Agency Response: Agree, Implementation Date – March 31, 2021**

Agency Narrative: Caring for Denver agrees to ensure alignment between financial management
policies and the strategic plan, as well as to make any needed changes. The financial policies were set
by the Finance Committee and then approved by the Board in December 2019 and then revised in May
2020. We will revisit these policies at the November 2020 Finance Committee meeting, and, if changes
are needed, we will bring recommendations to the November Board meeting for consideration. As a
nonprofit organization, Caring for Denver has a responsibility to ensure financial stability, including
maintaining appropriate reserves. The current policy is consistent with leading practices for nonprofit
management, which includes a reserve policy that:

- Reflects a five-year financial forecast for all aspects of the organization
- Identifies and quantifies risks to the organization’s short- and long-term financial planning
  – including factors that are beyond management’s control
- Establishes target reserve levels and funding approaches
- Defines roles and responsibilities for authorizing spending, monitoring balances and
  reporting on the use of the operating reserve
1.7 **Clarify and Reinforce Expectations for Conflicts of Interest** – The Caring for Denver Foundation’s leadership should clarify its expectation regarding dual interests and reinforce this by listing the types of relationships it expects members to disclose on its annual conflict-of-interest disclosure form. Leadership should also provide additional and ongoing training to board members as recommended in leading practices.

**Agency Response: Agree, Implementation Date – March 31, 2021**

*Agency Narrative:* Caring for Denver agrees to clarify its expectations regarding dual interests and disclosures on annual conflict of interest forms. While neither Caring for Denver nor the audit have identified any specific issues that have resulted from the lack of such clarification, we recognize and appreciate that the audit’s recommendation is a best practice and we will take the steps necessary to address those concerns. As noted in the report, Board and staff received training on conflict-of-interest from the City Attorneys at its October 2019 Board retreat. Caring for Denver will follow up with additional and ongoing training.

1.8 **Review and Amend Board Policies and Procedures** – The Caring for Denver Foundation should review its board policies and the procedures intended to demonstrate compliance with those policies to ensure they align with the intended purpose. At a minimum, this review should include the conflict-of-interest and gift disclosure policies. If either does not align with the organization’s purpose for having the policies, the foundation should consider amending its policy, its compliance procedures, or both to better address the organization’s intended purpose.

The Caring for Denver Foundation should consider similar review and amend processes as it develops and implements other board policies to ensure consistency with and relevance to intended purpose.

**Agency Response: Agree, Implementation Date – March 31, 2021**

*Agency Narrative:* Caring for Denver agrees to review Board policies and procedures and ensure they align with the intended purpose. Caring for Denver has already revised the process for assessing completeness of all submitted conflict of interest forms of Board members and staff. In addition, the gift disclosure form was revised in July 2020 to address concerns raised by the auditor’s office.

Caring for Denver Foundation is still in its first full year of operations and a “new organization” as the audit report states. It did not exist before voters approved the authorizing ordinance. As processes are implemented for the first time, it is not uncommon for organizations to identify gaps and inefficiencies that may require revisions to either policy terms or operating procedures, and to learn and improve from those experiences.

While neither Caring for Denver nor the audit have identified any specific issues that have resulted from the lack of such a revised procedure or form, we recognize and appreciate that the audit’s recommendation is a best practice and have taken steps necessary to address their concerns.
1.9 **Duly Authorize Executive Committee** – The Caring for Denver Foundation Board of Directors should duly authorize its board committees and follow procedures in accordance with the organization’s bylaws and leading practices as they relate to authorizing committees. Specifically, the board should amend its bylaws to authorize the executive committee, outline the committee’s membership requirements, and place limits on its authority to act on behalf of the board.

**Agency Response: Agree, Implementation Date – Dec. 31, 2020**

*Agency Narrative: All current committees are authorized with a clear charge, membership, and time commitment in accordance with the Caring for Denver’s bylaws. The charter of the Executive Committee was authorized at the June 2020 Board meeting and outlined the committee’s charge and responsibilities. Caring for Denver Foundation will review with its legal counsel to assess the need to amend the bylaws to address its authority to act on behalf of the Board.*

1.10 **Promote and Conduct Evaluations** – The Caring for Denver Foundation Board of Directors should ensure it promotes a culture of evaluation through periodic and regular self-evaluations of board performance, and it should develop and implement evaluation procedures to assess the annual performance of the foundation’s executive director.

**Agency Response: Agree, Implementation Date – Dec. 31, 2020**

*Agency Narrative: Caring for Denver Foundation strives to create a culture of learning and evaluation. We want to identify what is working and where opportunities exist to help us better achieve our goals. Accordingly, regular evaluation of Board service and staff is important to us. A formal third-party evaluation of the Executive Director was performed in September 2020. The review was completed by 15 members comprised of staff, Board, and community members. The Executive Committee will engage in a process to evaluate Board service, document the results, and use those inputs to shape Board meetings and processes in 2021 and beyond.*
October 6, 2020

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 the Caring for Denver Foundation.

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 24, 2020. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

RECOMMENDATION 1.1
Amend City Ordinance – The Department of Public Health and Environment, in conjunction with the Department of Finance and the City Attorney’s Office, should propose amendments to the Caring for Denver ordinance to clarify and affirm Public Health and Environment’s oversight responsibilities and to clarify spending and funding limitations and other sections, as needed.

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<th>Name and phone number of specific point of contact for implementation</th>
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Narrative for Recommendation 1.1
In partnership, the Department of Public Health & Environment, City agency partners, and Caring for Denver Foundation agree that clarification of the Department of Public Health & Environment’s oversight responsibilities is needed. Additionally, a review of the spending and funding limitations will be conducted as needed. We believe that rather than changing the voter-approved ordinance language, this level of clarification can be suitably handled within Finding 1.2 by addressing these needs for clarification, and other aspects of the relationship and associated work, by revising the contract terms.

Page 1 of 9
**RECOMMENDATION 1.2**  
**Revise Contract Terms** – The Department of Public Health and Environment — in conjunction with the City Attorney’s Office and, as needed, the Department of Finance — should negotiate revisions to the Caring for Denver Foundation’s contract and affirm Public Health and Environment’s oversight responsibilities; specify the department’s ability to review, comment, and approve policies; and clarify other provisions, as needed.

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<td>6/30/2021</td>
<td>Meggan Parezo 303.827.8886</td>
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**Narrative for Recommendation 1.2**
In partnership, the Department of Public Health & Environment, City agency partners, and Caring for Denver Foundation agree that revisions to the Caring for Denver Foundation’s contract are needed to clarify the Department of Public Health & Environment’s oversight responsibilities; specify the department’s ability to review, comment, and approve policies; and clarify other provisions, as needed. The Department of Public Health & Environment will review the terms and language of the Denver Preschool Program contract to consider as an additional resource when further clarifying the Caring for Denver contract. The Department of Public Health & Environment, City Attorney’s Office, and Department of Finance will work with Caring for Denver Foundation to negotiate amended contract terms before June 30, 2021.

**RECOMMENDATION 1.3**  
**Develop Strategic Plan** – The Caring for Denver Foundation Board of Directors should develop a strategic plan and submit the plan to the Department of Public Health and Environment for the department’s review, comment, and approval. In addition, the Caring for Denver Foundation should incorporate an annual work plan to supplement its strategic plan; this should incorporate specific objectives, measurable metrics, a timeline, and clear linkage to the ordinance’s purpose.

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<td>Agree</td>
<td>12/31/2020</td>
<td>Lorez Meinhold 720.647.6376</td>
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Narrative for Recommendation 1.3
As a nonprofit organization that is committed to integrating best practices throughout our organization, we agree with Recommendation 1.3. The Ordinance required the Board of the non-profit corporation to develop a strategic plan that identified and prioritized funding areas and required public input into the use of the Caring for Denver Fund.

The first step in the development of the strategic plan was the development of the strategic funding priorities. The Caring for Denver Board met to identify mission, vision and values in an October 2019 retreat. In the fall of 2019, we prioritized connecting with the Denver community to gather perspectives and insights on what our initial funding priorities should be. These outreach events, both in-person, over the phone and online (in English and Spanish), led to engagement of 1,600 residents. We relied on their knowledge, experience, and collaboration to identify and inform our funding areas:

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- **Care Provision**: Better support access to quality mental health and substance misuse care at the right time.

This community input along with Board input went into the development of the Strategic Funding Priorities which was submitted to DDPHE for input and acceptance on January 24, 2020. In addition, this document was shared with City Council and the public for additional feedback.

Since the development of the Strategic Funding Priorities document, we have continued to engage community experts and the Board of Directors to refine these visions for investments. These inputs have been incorporated into the development of Caring for Denver’s strategic plan that was approved by the Board at the September 2020 Board meeting. These inputs have also been the foundation for defining the intended impacts for the funding areas, which have been included in the requests for grant proposals that have been released to date. We continue to define and refine the objectives and measures through Board and community input and will have these tasks completed in 2020. Caring for Denver will share the strategic plan with DDPHE and follow the oversight responsibilities as outlined in the contract related to this strategic plan.

As a nonprofit foundation that is particularly responsible to the public, we support continuous learning which encourages openness, innovation, and a preparedness to change and will make this strategic plan a living document. We developed this strategic plan in a thoughtful and deliberate way to ensure it is a usable plan—one that informs the organization’s activities as well as its long-range view, and one that yields meaningful improvements in effectiveness, capacity, and relevance in partnership with the community.
As outlined in the strategic Plan, the organization has developed a learning and evaluation infrastructure for implementing the strategic Plan. This infrastructure is the basis for the development of the workplan and related implementation materials, to include: 1) documentation of success indicators and intended implementation timelines with respect to meeting the strategic plan objectives, 2) the structure for regular staff assessment of progress on identified objectives and intended work, and 3) documentation of strategic adaptation of intended work based on progress and learnings to support real-time, strategic improvements throughout the year.

**RECOMMENDATION 1.4**

**Review and Revise Key Policies for Alignment with Requirements** – The Department of Public Health and Environment should review the Caring for Denver Foundation’s policies and procedures in accordance with its authority to monitor performance. This review should ensure that all financial policies and procedures comply and align with the Caring for Denver ordinance, contract terms, and leading nonprofit management practices including the carry forward and treatment of administrative expenses and investment income.

This should include a review of methods, procedures, and practices for the grant policy, the investment policy, and the reserve policy to identify any gaps between the written policies and the ordinance and contract requirements. If the review identifies discrepancies, Public Health and Environment should work with Caring for Denver to ensure revisions are made.

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**Narrative for Recommendation 1.4**

Per Finding 1.2, the Department of Public Health & Environment will negotiate the terms of the contract to clarify the Department’s authority to review Caring for Denver Foundation’s policies and procedures and ensure compliance with City policies and procedures. The Department of Public Health & Environment agrees to review Caring for Denver Foundation’s policies, procedures, methods, and practices to ensure that all financial and grantmaking policies and procedures comply and align with the ordinance, contract terms, and leading nonprofit management practices. That review will include 1) the carry forward and treatment of administrative expenses and investment income, 2) the grant policy, 3) the investment policy, 4) the reserve funds policy, and 5) other policies and procedures further identified by the Department of Public Health & Environment that warrant additional review. If any concerns or discrepancies are identified, the Department of Public Health & Environment will work with Caring for Denver Foundation to ensure revisions are made.
RECOMMENDATION 1.5
Conduct Segregation-of-Duties Assessment – The Caring for Denver Foundation should conduct a full segregation-of-duties assessment of operations to ensure segregation-of-duties risks are identified and that policies are designed to appropriately limit any associated risk. Specifically, this should include identifying and mitigating risks regarding the executive director’s authority to approve grant awards $50,000 or less.

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<tr>
<td>Agree</td>
<td>03/31/21</td>
<td>Lorez Meinhold 720.647.6376</td>
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Narrative for Recommendation 1.5
Caring for Denver acknowledges that the grant procedures should be more clearly documented. The process for grant review—including the Executive Director’s grant approval—is the same regardless of the size of the grant. All grants are reviewed by the Director of Grants, one or two other members of the team, Director of Operations, and the comptroller (NFP Partners). Any grants awarded under the authority of the Executive Director are communicated to the Board and posted on the website, including the name of organization, purpose, and amount.

The grants management system does require the Executive Director, as well as the assigned staff, to provide justification for grants approved or declined.

While neither Caring for Denver nor the audit have identified any specific issues that have resulted from the lack of a documented process, we recognize and appreciate that the audit’s recommendation is a best practice and will take steps necessary to address their concerns.

Consistent with nonprofit best practice, Caring for Denver had an audit completed by BKD, Caring for Denver’s independent, contracted CPA, in March 2020. The auditors from BKD reviewed financial systems and internal controls for deficiencies and found no significant deficiencies or material weaknesses. The grants procedure controls and design will be a part of the next Caring for Denver audit.

RECOMMENDATION 1.6
Review and Revise Financial Management Policies for Strategic Consistency – Once the Caring for Denver Foundation develops a strategic plan as directed in Recommendation 1.3, it should review strategic goals and its financial policies to ensure that these policies are appropriate to its goals. This review should include the investment policy and associated strategies, as well as the minimum and maximum targets outlined in the reserve policy. As warranted, the Caring for Denver Foundation
should revise its financial management policies based on the organization’s strategic
goals, investment risk, and cash flow position.

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Narrative for Recommendation 1.6
Caring for Denver agrees to ensure alignment between financial management policies and the strategic plan, as well as to make any needed changes. The financial policies were set by the Finance Committee and then approved by the Board in December 2019 and then revised in May 2020. We will revisit these policies at the November 2020 Finance Committee meeting, and, if changes are needed, we will bring recommendations to the November Board meeting for consideration. As a nonprofit organization, Caring for Denver has a responsibility to ensure financial stability, including maintaining appropriate reserves. The current policy is consistent with leading practices for nonprofit management, which includes a reserve policy that:

- Reflects a five-year financial forecast for all aspects of the organization
- Identifies and quantifies risks to the organization’s short- and long-term financial planning – including factors that are beyond management’s control
- Establishes target reserve levels and funding approaches
- Defines roles and responsibilities for authorizing spending, monitoring balances and reporting on the use of the operating reserve

RECOMMENDATION 1.7
Clarify and Reinforce Expectations for Conflicts of Interest – The Caring for Denver Foundation’s leadership should clarify its expectation regarding dual interests and reinforce this by listing the types of relationships it expects members to disclose on its annual conflict-of-interest disclosure form. Leadership should also provide additional and ongoing training to board members as recommended in leading practices.

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Narrative for Recommendation 1.7
Caring for Denver agrees to clarify its expectations regarding dual interests and disclosures on annual conflict of interest forms. While neither Caring for Denver nor the audit have identified any specific issues that have resulted from the lack of such clarification, we recognize and appreciate that the audit’s recommendation is a best practice and we will take the steps necessary to address those concerns. As noted in the report, Board and staff received training on conflict-of-interest from the City Attorneys at its October 2019 Board retreat. Caring for Denver will follow up with additional and ongoing training.

RECOMMENDATION 1.8
Review and Amend Board Policies and Procedures – The Caring for Denver Foundation should review its board policies and the procedures intended to demonstrate compliance with those policies to ensure they align with the intended purpose. At a minimum, this review should include the conflict-of-interest and gift disclosure policies. If either does not align with the organization’s purpose for having the policies, the foundation should consider amending its policy, its compliance procedures, or both to better address the organization’s intended purpose.

The Caring for Denver Foundation should consider similar review and amend processes as it develops and implements other board policies to ensure consistency with and relevance to intended purpose.

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Narrative for Recommendation 1.8
Caring for Denver agrees to review Board policies and procedures and ensure they align with the intended purpose. Caring for Denver has already revised the process for assessing completeness of all submitted conflict of interest forms of Board members and staff. In addition, the gift disclosure form was revised in July 2020 to address concerns raised by the auditor’s office.

Caring for Denver Foundation is still in its first full year of operations and a “new organization” as the audit report states. It did not exist before voters approved the authorizing ordinance. As processes are implemented for the first time, it is not uncommon for organizations to identify gaps and inefficiencies that may require revisions to either policy terms or operating procedures, and to learn and improve from those experiences.

While neither Caring for Denver nor the audit have identified any specific issues that have resulted from the lack of such a revised procedure or form, we recognize and
appreciate that the audit’s recommendation is a best practice and have taken steps necessary to address their concerns.

**RECOMMENDATION 1.9**

**Duly Authorize Executive Committee** – The Caring for Denver Foundation Board of Directors should duly authorize its board committees and follow procedures in accordance with the organization’s bylaws and leading practices as they relate to authorizing committees. Specifically, the board should amend its bylaws to authorize the executive committee, outline the committee’s membership requirements, and place limits on its authority to act on behalf of the board.

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**Narrative for Recommendation 1.9**

All current committees are authorized with a clear charge, membership, and time commitment in accordance with the Caring for Denver’s bylaws. The charter of the Executive Committee was authorized at the June 2020 Board meeting and outlined the committee’s charge and responsibilities. Caring for Denver Foundation will review with its legal counsel to assess the need to amend the bylaws to address its authority to act on behalf of the Board.

**RECOMMENDATION 1.10**

**Promote and Conduct Evaluations** – The Caring for Denver Foundation Board of Directors should ensure it promotes a culture of evaluation through periodic and regular self-evaluations of board performance, and it should develop and implement evaluation procedures to assess the annual performance of the foundation’s executive director.

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<td>Agree</td>
<td>12/31/20</td>
<td>Leslie Herod 303.642.5775</td>
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**Narrative for Recommendation 1.10**

Caring for Denver Foundation strives to create a culture of learning and evaluation. We want to identify what is working and where opportunities exist to help us better achieve our goals. Accordingly, regular evaluation of Board service and staff is important to us.
formal third-party evaluation of the Executive Director was performed in September 2020. The review was completed by 15 members comprised of staff, Board, and community members. The Executive Committee will engage in a process to evaluate Board service, document the results, and use those inputs to shape Board meetings and processes in 2021 and beyond.

Please contact Lorez Meinhold, Caring for Denver Foundation at 720.647.6376 or Meggan Parezo, Denver Department of Public Health & Environment at 303.827.8886 with any questions.

Sincerely,

Lorez Meinhold
Executive Director
Caring for Denver Foundation

&

Robert M. McDonald
Executive Director and Public Health Administrator
Department of Public Health & Environment

cc: Valerie Walling, CPA, Deputy Auditor
Katja E. V. Freeman, MA, MELP, Audit Director
Jared Miller, CISA, CFE, Audit Supervisor
Leslie Herod, Board Chair, Caring for Denver Foundation
OBJECTIVE

To assess the Denver Department of Public Health and Environment’s ability to oversee the Caring for Denver Foundation based on city ordinance and contract terms, and to assess how the foundation’s strategic plan and its operations align with Public Health and Environment’s strategic plans, city rules and regulations, and leading practices in nonprofit management.

SCOPE

The audit assessed the effectiveness of the Department of Public Health and Environment’s oversight of how the Caring for Denver Foundation implemented the Caring for Denver ordinance, and it assessed the foundation’s compliance with contract terms and applicable city ordinances, rules and regulations, and leading practices of nonprofit board management.

The original audit period covered a time frame from January 2019 through April 2020. Although we concluded our primary audit work on April 1, 2020, we requested an update on the organization’s development as of May 31, 2020, related to the issues we identified. In addition, some audit procedures included reviewing the voter-initiated ordinance process for Caring for Denver, which began in June 2018 and ended in November 2018.

METHODOLOGY

We applied several methodologies during the audit process to gather and analyze pertinent information related to our audit objectives. The methodologies included but were not limited to:

- Obtaining information on the ballot initiative process from city personnel, such as individuals in the Clerk and Recorder’s Office, the City Attorney’s Office, the Department of Finance, and the Department of General Services for information on the ballot initiative process and the contract negotiation process.

- Reviewing the voter-initiated ballot measure process and the Caring for Denver Foundation’s filings with the Colorado Secretary of State’s Office and the IRS for nonprofit status to identify key attributes and compliance with Denver Charter, the Caring for Denver ordinance, and other rules and regulations.

- Summarizing the history of the Caring for Denver ballot initiative, ordinance, and foundation, including any significant challenges or limitations on operations or on the Department of Public Health and Environment’s oversight that arose from the ballot measure’s intent, the ordinance language, or negotiated contract terms.

- Reviewing the justification for a sole-source contract award to the Caring for Denver Foundation to find out whether Department of Public Health and Environment officials considered alternative nonprofits and to learn their rationale for awarding the contract.

- Determining whether the Denver Preschool Program contract was used to structure the Caring for Denver Foundation’s contract and assessing the differences between the contracts.
• Comparing applicable Caring for Denver Foundation legal requirements with the Denver Preschool Program to identify significant similarities and differences that could potentially impact the city's ability to effectively oversee the Caring for Denver program.

• Evaluating the Department of Public Health and Environment's monitoring practices and supporting documentation to identify areas where the foundation complied with contract requirements and where the foundation adhered to leading practices.


• Analyzing the Caring for Denver Foundation's bank accounts to assess the reasonableness of interest earned on city tax distributions to the foundation before it disbursed grant awards.

• Comparing the Caring for Denver Foundation's strategic funding priorities and the Department of Public Health and Environment's strategic plan goals to identify areas of alignment.

• Confirming the Department of Finance's development of a program baseline report of city programs to help the foundation ensure its dollars supplement — rather than supplant — the total of city, county, state, and federal annual funding for mental health and substance misuse disorder services collected and administered by the city as of June 30, 2018.

• Reviewing the City and County of Denver's Code of Ethics, the 2018 Ethics Handbook, Fiscal Accountability Rules, and executive orders for comparison with Caring for Denver's governing documents, board meeting records, policies, and procedures.

• Reviewing leading practices in nonprofit management including BoardSource, the National Council of Nonprofits, the Colorado Nonprofit Association, and other sources recommended by these entities for comparison with Caring for Denver's governing documents, board meeting records, policies, and practices.

• Surveying Caring for Denver board members to obtain their perspectives on the organization's development and progress and to ascertain their understanding of key governing processes.
APPENDICES

Appendix A – Steps to Get A Voter-Initiated Ordinance on the Ballot

- Actions by supporters/petitioner’s committee
- Actions by the Clerk and Recorder’s Office
- Actions by other agencies

Within 10 days of submission

1. **Proposed Ordinance Submitted**
   - **Supporters** of the initiated measure submit the text of the proposed ordinance to the **City Council staff** and the **City Attorney’s Office** for review and comment.

2. **Comments Delivered**
   - At an open, public meeting, the **agencies** present comments, ask questions, and suggest clarifications and editorial changes to the proposal. The proposal can be left unchanged, amended at this meeting, or amended and resubmitted.

3. **Clerk and Recorder Notified**
   - After the public hearing, the **Clerk and Recorder’s Office** receives a certificate, noting the office can accept the proposed ordinance for review.

4. **Affidavit Submitted**
   - The **petitioner’s committee** submits an affidavit (a signed and notarized form), a ballot title and proposed text of the ordinance, and a sample petition to the **Clerk and Recorder’s Office** for review.

5. **Affidavit Reviewed**
   - The **Clerk and Recorder’s Office** reviews whether the ballot title is not confusing and whether the proposal complies with Denver Charter and other applicable laws and rules.

6. **Petition Circulated**
   - The **petitioner’s committee** circulates the approved petition and gathers signatures.

7. **Petition Completed**
   - A completed petition for proposed ordinance is filed with the **Clerk and Recorder’s Office**.

8. **Petition Reviewed**
   - The **Clerk and Recorder’s Office** verifies the number of signatures and validity of the petitions. If the petition contains a sufficient number of valid signatures, there is a 25-day holding period to allow for any protests to the petition, and a hearing is held to consider the protests. If there are no protests, a notice is sent to the **petitioner’s committee**.

9. **Ordinance Placed**
   - The **Clerk and Recorder’s Office** places the initiated ordinance on the ballot.

**Note:** Amendments or repeals of an initiated ordinance are authorized after six months following final passage and within 10 years. A public hearing of any proposed changes must be held.

**Source:** Auditor’s Office representation using information from city officials and Caring for Denver management.
Appendix B – Timeline of the Caring for Denver Foundation's Incorporation

2018

JUNE 1
Draft of proposed ordinance submitted to City Council and City Attorney’s Office

JUNE 11
Public hearing on proposed ordinance text

JUNE 18
Petition filed with Office of Clerk and Recorder

JUNE 21
Office of Clerk and Recorder rejects petition

JUNE 25
Office of Clerk and Recorder accepts refiled affidavit, ballot title and ordinance, and petition sample

AUG. 21
Office of Clerk and Recorder verifies sufficient signatures to place measure on ballot for November 2018 general election

NOV. 6
2018 General Election

NOV. 14
Caring for Denver files incorporation as a nonprofit with Colorado Secretary of State’s Office

2019

MAY 19
Caring for Denver Foundation files amended articles of incorporation with Colorado Secretary of State’s Office

JUNE 25
Sole-source justification approved by Denver Public Health and Environment

JAN. 1
Sales and use tax (0.25%) collections begin

JAN. 10
Caring for Denver nonprofit files name change with Colorado Secretary of State to become Caring for Denver Foundation

JAN. 24
Strategic funding priorities plan submitted to Denver Public Health and Environment

AUG. 27
City Council approves and executes contract with Caring for Denver Foundation (effective Aug. 1)

MAY
Caring for Denver hires 11 staff, contracts for a controller and accountant, and uses a board member as treasurer

APRIL
Grants in support of COVID-19 community and frontline responders awarded, totaling $545,000

JAN. 10
City distributes to Caring for Denver year-to-date taxes collected — $24,390,712

SEPT. 10
IRS approves Caring for Denver federal tax-exempt status effective Nov. 14, 2018

SEPT. 24
Caring for Denver Foundation files incorporation with Colorado Secretary of State to become Caring for Denver Foundation

DECEMBER 2019
Grants management system procured

2020

MARCH 24
BKD audit and annual report submitted to city and Auditor’s Office

FEB. 1—MARCH 4
Strategic funding priorities plan open for public comment

JAN. 21
First grants awarded to city agencies of $1.99 million

JAN. 24
Strategic funding priorities plan submitted to Denver Public Health and Environment

Source: Auditor’s Office representation using information from city officials and Caring for Denver management.
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.

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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.