FOLLOW-UP REPORT

Denver’s Property Tax Spending for Intellectual and Developmental Disabilities

Denver Human Services and Rocky Mountain Human Services

December 2020
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Cover photo courtesy of Rocky Mountain Human Services.
December 3, 2020

AUDITOR’S LETTER

In keeping with generally accepted government auditing standards and Auditor’s Office policy, as authorized by city ordinance, the Audit Services Division has a responsibility to monitor and follow up on audit recommendations to ensure city agencies address audit findings through appropriate corrective action and to aid us in planning future audits.

In our follow-up effort for the “Denver’s Property Tax Spending for Intellectual and Developmental Disabilities” audit report issued in August 2019, we determined Denver Human Services fully implemented one and partially implemented another of our six recommendations from the original audit report. Meanwhile, we determined Rocky Mountain Human Services fully implemented five of eight recommendations and partially implemented our other three recommendations from the original audit report. Despite both agencies’ efforts, auditors determined the risks associated with the audit team’s initial findings have not been fully mitigated. As a result, the Audit Services Division may revisit these risk areas in future audits to ensure the city and Rocky Mountain Human Services take appropriate corrective action.

The Highlights page in this report provides background and summary information about the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation. We did not update the status of the three recommendations Denver Human Services disagreed with, as it presumably would not have taken action toward implementing these; however, these recommendations are included in the status update section as a reference.

I would like to express our sincere appreciation to the personnel at Denver Human Services and at Rocky Mountain Human Services who assisted us throughout the audit and the follow-up process. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
Denver’s Property Tax Spending for Intellectual and Developmental Disabilities
December 2020

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

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

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

REPORT HIGHLIGHTS

Highlights from Original Audit

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

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

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

Rocky Mountain’s management appeared to make funding decisions without providing written responses to council’s recommendations.
Action Since Audit Report
Denver’s Property Tax Spending for Intellectual and Developmental Disabilities

14 recommendations proposed in August 2019

While Denver Human Services and Rocky Mountain Human Services have implemented a total of six recommendations made in the “Denver’s Property Tax Spending for Intellectual and Developmental Disabilities” audit report, five other recommendations have yet to be acted upon or fully implemented, and three were not agreed to by Denver Human Services. The lack of action toward these eight recommendations presents lingering risks, including:

- Denver Human Services’ failure to implement monitoring procedures for Rocky Mountain’s subcontracts means there remains a chance subcontractors could misuse city money by not meeting the goals outlined in each subcontract.
- Denver Human Services’ newly created risk assessment has identified the areas of its contract with Rocky Mountain Human Services that have the highest risk of noncompliance, but the agency has yet to perform an audit over any of those areas.
- Rocky Mountain’s new policies and procedures for its subcontractors, its Client Assistance Program, and its Family Support Services Program still do not include enough review steps to mitigate the risk of potential misuse of city funds. For instance, Rocky Mountain’s new procedures for its subcontractors do not address how — or with what frequency — subcontractors’ expenses will be reviewed for accuracy.
- Rocky Mountain’s review procedures for client funding through its Client Assistance Program and its Family Support Services Program do not include review steps to ensure staff approve funding for only eligible clients.
Finding 1 | Denver Human Services' Lack of Oversight Prevents It from Validating that Taxpayer Funds Were Spent as Intended

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

AGENCY ACTION

No action was taken to implement this recommendation because the agency disagreed with the recommendation made in our original report.

This was the agency's response to the recommendation when the original report was issued in August 2019:

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

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

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

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

The audit states at page 10, “In addition to the contract itself, one of the City’s Fiscal Accountability Rules requires support documentation for every financial transaction.” DHS does not agree with their interpretation of Fiscal Accountability Rule 2.5, which, per the rule, applies to “accounting transactions recorded in the financial system of record.” DHS reads Fiscal Accountability Rule 2.5 as requiring documentation for the basis of a City transaction, such as an invoice for the payment to a contractor. The audit extrapolates what DHS believes is required for every City transaction to every cost a contractor incurs as part of its contract with the City. This interpretation would require every single cost incurred by RMHS as part of its contracts with DHS to be substantiated with support documentation before payment, which does not appear to be the intent of Fiscal Accountability Rule 2.5. It would negate sampling as a legitimate method of invoice review and approval, This would not only be an inefficient use of DHS resources but would also significantly increase costs, delay payments, and reduce funds available for direct services to families.
As to the findings in the current audit surrounding billing practices, the present contract and exhibit establish a completely different process for reimbursement to RMHS. The new process is based upon a fee-for-service model and reimbursement of agreed upon expenditures. Documentation of expenditures under the new model is necessarily different than that for a gap funding model. It requires evidence tying expenditures to specific, agreed upon mill levy funded services and supports for Denver residents. Additional support for reimbursement is provided through DHS’ monitoring of over thirty performance metrics each month. To clarify, both funding models and contracts required that RMHS submit expenditure reports and maintain documentation for review or audit, but the content of the reports and documentation under the different contract models was necessarily different.

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

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

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

For the original report, we wrote the following addendum rebutting this agency’s response:

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Recommendation 1.2</th>
<th>Implement Process for Invoice Review – The executive director of Denver Human Services should work with Rocky Mountain Human Services to agree on the kind of source documentation necessary to validate expenses for any department included on Rocky Mountain’s monthly reimbursement request.</th>
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<td>AGENCY ACTION</td>
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<td>No action was taken to implement this recommendation, because the agency disagreed with the recommendation made in our original report.</td>
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<td>This was the agency’s response to the recommendation when the original report was issued in August 2019:</td>
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<td>Please see response to recommendation 1.1 above.</td>
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<td>For the original report, we wrote the following addendum rebutting this agency’s response:</td>
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<td>Denver Human Services referred to its response for Recommendation 1.1 to address Recommendation 1.2. The auditor’s addendum for Recommendation 1.1 also addresses Recommendation 1.2.</td>
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<tr>
<th>Recommendation 1.3</th>
<th>Verify Accuracy of Special Project Outputs – The executive director of Denver Human Services should establish procedures for monitoring the agreed-upon goals stated in Rocky Mountain Human Services’ subcontracts.</th>
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<td>Original target date for completion: Dec. 31, 2019</td>
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Denver Human Services created new procedures to monitor Rocky Mountain’s subcontractors. However, the procedures include only steps to review the subcontractors’ expenses and not steps to monitor the agreed-upon goals in the subcontracts. Specifically, the procedures explain that Denver Human Services staff should ensure: 1) each invoice includes the dates of service, 2) the line-items match the project’s budget, and 3) the number of individuals served for each line-item are included. These steps address a review of expenses but do not cover project goals, such as ensuring the proposed number of individuals to be served are actually served.

By not including steps to monitor goals in the subcontracts, the city remains exposed to the possibility of subcontractors using dedicated property tax funds to pay for items not related to the goals stated in their contracts. As such, we consider this recommendation not implemented.

Recommendation 1.4

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

AGENCY ACTION

Original target date for completion: Oct. 31, 2019

Denver Human Services’ Internal Audit Division developed a risk assessment process, successfully completed a risk assessment for Rocky Mountain Human Services, and incorporated the results of its assessment into its 2021 audit plan.

Denver Human Services provided documentation outlining its risk assessment process, which includes:

- Defining what can and cannot be audited.
- Identifying risk factors, such as the size of a program or the extent to which a program interacts with the public.
- Establishing rating scales to weigh the risk factors.
- Ranking auditable programs by level of risk.

Denver Human Services also provided documentation for its 2020 and 2021 audit plans. These plans support how Denver Human Services used its risk assessment to inform the audits it planned to conduct. For example, the 2021 audit plan includes planned audits for two of the three highest-risk programs identified in Denver Human Services’ 2019 risk assessment.
Denver Human Services has taken significant strides toward implementing Recommendation 1.4. However, Denver Human Services has yet to begin any of the Rocky Mountain Human Services audits identified by its risk assessment. According to Denver Human Services personnel, an audit related to Rocky Mountain Human Services is not scheduled to begin until December 2020 — over a year later than the Oct. 31, 2019, target date for completion.

By not performing an audit over any of the areas identified as high risk, Denver Human Services has yet to begin to reduce the main risk that Recommendation 1.4 was targeting — the risk that the city's dedicated property tax funds are used for unintended purposes. As such, we consider this recommendation only partially implemented.

**Recommendation 1.5**

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

**AGENCY ACTION**

No action was taken to implement this recommendation because the agency disagreed with the recommendation made in our original report.

This was the agency's response to the recommendation when the original report was issued in August 2019:

In 2017, City Council approved Ordinance No. 20161071 which outlines permitted uses of mill levy revenue dedicated to serving people with intellectual and developmental disabilities and expanded those uses to include additional contracting opportunities beyond the existing contract with RMHS. The ordinance designates administrative funds in order to administer and enforce any city contracts associated with the fund. While DHS agrees it is important to ensure mill levy funds are dedicated to helping people with intellectual and developmental disabilities, the department anticipates additional contracts for mill levy funded services with entities other than RMHS. Any additional mill levy service contracts could be audited by the department’s internal auditor as part of DHS oversight of the use of mill levy funds. Therefore, DHS disagrees with Recommendation 1.5.
Additionally, DHS disagrees that anywhere near $14,400 in dedicated mill levy funds were spent on unrelated projects or assignments. In this instance, DHS reviewed and verified that this assignment, completed in a minimal amount of time over the course of two months, was a professional development opportunity to be conducted during downtime with RMHS assignments in 2017. Professional development is considered part of the internal auditor’s core responsibilities.

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

For the original report, we wrote the following addendum rebutting this agency’s response:

In their narrative to Recommendation 1.5, Denver Human Services officials state they disagree that anywhere near $14,400 of dedicated property tax funds was spent on projects unrelated to their contract with Rocky Mountain. Our testing work showed that the unrelated assignments for the internal auditor occurred during the months of August and September 2017. We requested documentation from Denver Human Services to show exactly how many hours were allocated to the unrelated project, but Denver Human Services could not provide evidence of the exact amount. Because of this, we calculated the compensation paid to the internal auditor for both August and September to quantify the maximum amount of property tax funds that may have been for purposes that cannot be funded with mill levy monies. To identify this amount, we analyzed the property tax fund payments associated with the internal auditor position. Payments to the internal auditor covering the months of August and September 2017 were included in a payment period covering the months of July 2017 through December 2017. We prorated the total amount of compensation earned over the entire six-month period to account for two months out of the six months. This calculation gave us the maximum amount, $14,400, that would have been associated with the two-month period in which the internal auditor worked on unrelated assignments.
Therefore, in the report we state that Denver Human Services incorrectly paid as much as $14,400 of property tax funds to work unrelated to its contract with Rocky Mountain.

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

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

Recommendation 1.6

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

**AGENCY ACTION**

**Original target date for completion: Dec. 31, 2019**

Denver Human Services conducted a training with its staff responsible for overseeing the contract with Rocky Mountain Human Services. We reviewed the sign-in sheet Denver Human Services created for the training, which was dated and signed by each employee.

Additionally, Denver Human Services added new steps to its budget modification procedures. We reviewed these procedures to ensure the agency addressed all contract-required budget modification compliance areas. Specifically, we found the updated procedures address each contract requirement — including steps to ensure both Denver Human Services
and Rocky Mountain Human Services approve any budget modification in writing, the City Attorney's Office approves the budget modification, and that the Clerk and Recorder's Office makes it available for public access.

To verify whether Denver Human Services implemented its new procedures and to assess whether the training was successful, we obtained documentation for all budget modifications from the end of the initial audit in August 2019 to the time of our follow-up work. There had been two budget modifications during this time. Our review showed Denver Human Services properly followed its new procedures. Specifically, both modifications contained an explanation of the budget change in writing; all necessary approval signatures from Denver Human Services, Rocky Mountain Human Services, and the City Attorney's Office were present; and the modifications were filed with the Clerk and Recorder’s Office.

Therefore, we consider this recommendation fully implemented.
Finding 2 | Rocky Mountain Human Services Appears to Provide Quality Services but Could Improve Its Financial Accountability

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

AGENCY ACTION

Original target date for completion: June 30, 2020

Rocky Mountain Human Services consulted with an external party to develop and administer a client satisfaction survey, which incorporated leading practices. According to the leading practices identified by Rocky Mountain, surveys should learn about clients’ perceptions of access to services and quality of care. To ensure a survey was developed and accounts for these areas outlined by the leading practices, we reviewed a copy of the surveys developed for each of Rocky Mountain’s case management departments. We found that each survey included questions relating to access to services and quality of care, such as asking whether services were made available at times and in places convenient to the client and whether the case manager supported the client’s needs.

Depending on the client’s preference, the surveys were administered by either mail or email in July 2020. To verify the surveys were administered, we reviewed an invoice showing a payment for the surveys that were delivered by mail, and we reviewed an email transmission with the survey attached.

Therefore, we consider this recommendation fully implemented.

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

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

PARTIALLY IMPLEMENTED
Recommendation 2.2 required Rocky Mountain to perform two steps for full implementation. First, Rocky Mountain needed to design policies and procedures to monitor subcontractor goals and design policies and procedures to review subcontractor-submitted invoices for accuracy. Second, Rocky Mountain should have taken those new goal-monitoring and invoice-review policies and procedures and placed them into operation.

With regard to the first step of designing policies and procedures, we found Rocky Mountain developed a set of procedures for monitoring the agreed-upon goals in each subcontract. Rocky Mountain’s new goal-monitoring policies and procedures now require program staff to complete a monitoring form for each subcontractor at least once every six months. The monitoring form includes items that explicitly address whether the subcontractor is on track to meet its goals listed in the subcontract.

On the other hand, we found Rocky Mountain did not fully design policies and procedures to address reviews of subcontractor invoices. In the original audit, we noted three issues with Rocky Mountain’s review of subcontractor invoices:

1. Expenses on the invoice were unsupported by source documentation.
2. Invoices were submitted for costs not yet incurred.
3. Invoices included expenses for items outside the subcontractors’ scopes of work.

Rocky Mountain made progress by designing policies and procedures to address those second and third items, but it still lacks prescribed policies and procedures to verify whether invoices are supported by source documentation. The invoice-related policy and procedure says each subcontractor must maintain backup documentation to support the invoices it submits, but it does not explain how or when Rocky Mountain staff should review the backup documentation to ensure expenses submitted on each invoice are accurate.

Step two of implementing Recommendation 2.2 required Rocky Mountain to place its new goal-monitoring and invoice-review policies and procedures into operation. To test the implementation of Rocky Mountain’s goal-monitoring and invoice-review procedures, we randomly selected one subcontractor that received funding in 2020 and analyzed the supporting documentation covering Rocky Mountain’s review for the first half of the year. We found Rocky Mountain fully implemented its goal-monitoring policies and procedures, but it has not fully implemented its invoice-review policies and procedures.

By not including in Rocky Mountain’s policies and procedures how or when staff will review supporting documentation to ensure subcontractor invoices are accurate and by not placing into operation all parts of the invoice-review procedure that were included, the city remains exposed to the
possibility of its subcontractors misusing the dedicated property tax dollars. As such, we consider this recommendation to be only partially implemented.

**Recommendation 2.3**

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

**AGENCY ACTION**

Original target date for completion: The agency said at the time of the original audit in August 2019 that this was already completed.

Rocky Mountain Human Services provided us with a training document created for staff, which explained the residency requirement for individuals receiving the city’s dedicated property tax dollars. The document also contains instructions on how to ensure an address is within the city’s boundaries.

Furthermore, Rocky Mountain provided us with a set of procedures listing steps to verify residency for individuals who receive money from the city’s dedicated property tax dollars. Specifically, the procedures say that — at least once a year — Rocky Mountain staff should verify clients’ residency during a home visit. Staff are instructed to use either the city’s council district website or the city assessor’s website to look up individuals’ addresses. Once the residency check is performed, staff must document a contact note in the client file, indicating the date and method of verification.

Rocky Mountain provided us with a list documenting the residency checks it performed for its clients receiving the city’s dedicated property tax dollars. To verify the accuracy of Rocky Mountain’s residency checks, we randomly selected five clients and requested the specific contact documentation created for each. Based on our review, Rocky Mountain staff correctly documented its verification of each residency check using the city’s council district website.

Therefore, we consider this recommendation fully implemented.
**Recommendation 2.4**

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

**AGENCY ACTION**

Original target date for completion: Dec. 31, 2019

Rocky Mountain Human Services developed new controls to hold its service coordinators accountable for meeting the requirements for Denver residents receiving case management services. Specifically, Rocky Mountain created a monitoring procedure for its case management supervisors, requiring them to track staff compliance with the applicable mill levy requirements.

As mentioned in the original audit, case managers must fill out a mill levy service plan for each of their clients. In addition, case managers in the Early Intervention Department must contact the parents or guardians of their clients monthly to check in on client services, while case managers in the Service Coordination Department must check in with their clients quarterly. Department supervisors monitor these requirements to ensure case managers are compliant. The procedures also require department supervisors to provide coaching to staff when any issues of noncompliance are identified.

We randomly sampled a selection of 30 service coordinators from the Service Coordination and Early Intervention departments. Out of the 30 service coordinators selected, documentation showed each coordinator’s supervisor correctly filled out the spreadsheets used to mark whether staff are in compliance with the mill levy requirements. Additionally, for those service coordinators that missed a check-in with a client, there were coaching notes included in the documentation explaining ways to improve compliance.

Therefore, we consider this recommendation fully implemented.

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**Recommendation 2.5**

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

Original target date for completion: Dec. 31, 2019

Rocky Mountain Human Services provided us with updated policies and procedures for the Client Assistance Program. These new policies and procedures demonstrate that Rocky Mountain created new internal controls for how case managers should document alternative funding sources that have been exhausted for client assistance requests. Rocky Mountain also amended its list of prohibited items and created a new exception policy to approve items not normally allowed based on the health and safety of the recipient and the availability of funds.

However, Rocky Mountain Human Services did not create internal controls related to verifying whether recipients have an intellectual or developmental disability or outlining the approval process for external recipients whom Rocky Mountain does not actively manage. Additionally, Rocky Mountain developed a Client Assistance Program checklist outlining the main program requirements. However, service coordinators use the checklist only for reference and do not fill it out for each request.

Lastly, we used our professional judgment to select a sample of five Client Assistance Program requests from January through September 2020 to evaluate whether Rocky Mountain was successfully implementing its new controls. We evaluated each request to ensure alternative funding was not available, the appropriate approvals were documented, and the funds benefited only a Denver resident experiencing an intellectual or developmental disability. We found in one of the five Client Assistance requests tested, Rocky Mountain did not document approval of a large request.

By not creating internal controls to verify whether recipients have an intellectual and developmental disability and by not creating specific procedures for Client Assistance Program recipients external to Rocky Mountain, the city remains exposed to the possibility of its dedicated property tax dollars being used to fund services for ineligible clients. As such, we consider this recommendation only partially implemented.

Recommendation 2.6

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

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

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

Rocky Mountain Human Services provided us with updated policies and procedures for the Family Support Services Program. These policies and procedures include a new exception policy that allows Rocky Mountain to exceed funding limits for individuals who have an increased need based on health, welfare, or safety. Although the exception policy strengthens the approval process to ensure recipients do not exceed funding limits, it does not extend to all issues identified in the original audit — such as ensuring receipts are collected before awarding additional funding.
Additionally, Rocky Mountain Human Services implemented new safeguards in its Family Support Services Program case management system that now require service coordinators to document whether alternative funding has been exhausted for each request. To evaluate whether Rocky Mountain was implementing this new control, we used our professional judgment to sample five Family Support Services Program requests spanning from January through September 2020. We found no issues in our sample with the implementation of this new control.

However, by not strengthening the request review process to extend beyond funding limits, the city remains exposed to the possibility of dedicated property tax funds not being used for their intended purpose. As such, we consider this recommendation only partially implemented.
Enhance Communication and Transparency – The executive director of Rocky Mountain Human Services should make it a priority to respond to the Community Advisory Council’s recommendations in writing. At a minimum, such responses should explain why Rocky Mountain selected certain projects and not others, particularly when decisions deviate from the council’s recommendations.

AGENCY ACTION

Original target date for completion: Dec. 31, 2019

As described in the original report, the Community Advisory Council makes recommendations to Rocky Mountain Human Services for how Denver’s dedicated property tax money should be spent. Rocky Mountain provided us with its documented responses to the Community Advisory Council’s 2020 project recommendations. Rocky Mountain’s responses included a spreadsheet with each proposed project, a statement explaining whether Rocky Mountain agreed with the council’s recommendation, and an explanation as to why or why not Rocky Mountain funded the project.

In addition to providing complete and written responses to the council’s 2020 project recommendations, we also reviewed Rocky Mountain’s written response related to a council-recommended change in funding priority. Rocky Mountain’s written response to the Community Advisory Council stated whether it agreed or disagreed with the recommendation and why.

Therefore, we consider this recommendation fully implemented.
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.