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The Audit Committee is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities of the integrity of the City's finances and operations, including the integrity 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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Report number: A2015-016
AUDITOR'S REPORT

We have completed an audit of Rocky Mountain Human Services, also known as Denver Options, Inc. The purpose of the audit was to determine whether Rocky Mountain Human Services (RMHS) is in compliance with the provisions of its contract with Denver Department of Human Services (DDHS) to provide services for Denver children and adults with intellectual and developmental disabilities.

As described in the attached report, our audit revealed that DDHS needs to more closely monitor its contract with RMHS. RMHS has not been in compliance with several key contract provisions. Vague contract language has exacerbated the issue. Lack of contract compliance has resulted in mismanagement of mill levy funds, including the use of Denver mill levy funds for individuals residing outside the City and County of Denver. Administrative costs for January 2014 through June 2015 exceeded the 15% ceiling set out in the RMHS contract, even though some administrative expenses had not been included because they were misclassified as program expenses. The financial issues faced by the organization culminated in the replacement of its leadership, and the poor financial condition of RMHS has the potential to impede future service delivery to its clients.

The impending implementation of §25.5-6-409.3 in Colorado Revised Statutes will significantly change the landscape of support services for individuals with intellectual and developmental disabilities. As a result of this legislation, individuals will soon be able to seek services where they choose, rather than relying on their area’s designated community-centered board such as RMHS. As such, we recommend that City and County leadership revisit the original intent of Initiative 100 to ensure that these funds continue to support only Denver residents with intellectual and developmental disabilities, rather than clients from other jurisdictions.

Through stronger contract monitoring, DDHS will be able to ensure that RMHS is meeting the needs of Denver’s intellectual and developmental disability community. Our report lists several related recommendations.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, General Powers and Duties of Auditor, and was conducted in accordance with generally accepted government auditing standards. Those standards require 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 appreciation to Donald Mares, Executive Director of DDHS, for requesting that the Auditor’s Office conduct this audit. We also thank the executive management and personnel from the Department of Human Services and Rocky Mountain Human Services who assisted and cooperated with us during the audit.

Denver Auditor’s Office

Timothy M. O’Brien, CPA
Auditor
Audit of Rocky Mountain Human Services
December 2015

The audit examined the contract between the Denver Department of Human Services and Rocky Mountain Human Services for provision of services to individuals with intellectual and developmental disabilities.

Background
In 2003, Denver voters approved a dedicated mill levy to be set aside for children and adults with intellectual and developmental disabilities. Mill levy funding, approximately $11.5 million in 2015 and $14.5 million in 2016, is appropriated to the Denver Department of Human Services (DDHS) through a contract with Rocky Mountain Human Services (RMHS). RMHS is the City and County of Denver’s designated community centered board (CCB). CCBs are regulated through state and federal rules to serve individuals with intellectual and developmental disabilities.

Purpose
The objective of the audit was to determine whether DDHS and RMHS are in compliance with contract terms including mill levy spending requirements and reporting and oversight provisions. Additionally, we sought to determine whether RMHS’s financial condition could impede its ability to ensure continued service delivery to clients with intellectual and developmental disabilities.

Highlights
Due to recent financial troubles at Rocky Mountain Human Services (RMHS), the Denver Department of Human Services (DDHS) requested that the Auditor’s Office conduct an audit of its contract with the nonprofit organization. We found that DDHS has not adequately monitored its contract with RMHS. This has led to several undetected instances wherein RMHS was non-compliant with contract terms, including unreasonable spending and poor accounting practices. Further, RMHS has inappropriately utilized mill levy funds for individuals residing outside of the City and County of Denver.

The lack of contract monitoring by DDHS is further exacerbated by vague and outdated contract language, hindering DDHS’s ability to ensure that mill levy funds are being properly spent. The lack of monitoring could negatively impact service delivery for individuals with intellectual and developmental disabilities as well as taxpayer confidence regarding the City’s ability to effectively monitor and safeguard public funds.

RMHS’s expansion of its mission beyond its role as CCB for the City has led to many financial issues culminating in the replacement of its leadership. While the organization is currently addressing these issues, its financial situation may be further impacted by the implementation of new federal rules. These rules would significantly change the current State CCB structure, requiring the City to assess whether future funding dedicated to RMHS is actually serving Denver residents with intellectual and developmental disabilities.

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INTRODUCTION & BACKGROUND

Government Provision of Services for Individuals with Intellectual and Developmental Disabilities

During the first part of the 20th century, individuals with intellectual and developmental disabilities were excluded from many aspects of public life, including most schools and community spaces. The large state-run institutions, where many of these individuals spent their entire lives, were often grossly underfunded, and reports of neglect and abuse were not uncommon. During his administration, President John F. Kennedy brought intellectual and developmental disabilities into the public light and used his administration to advance legislation to support this community.1 It is within this context that what is now known as the Developmental Disabilities Assistance and Bill of Rights Act (DD Act) was signed into law.2 The purpose of this federal legislation is to

assure that individuals with developmental disabilities and their families participate in the design of and have access to needed community services, individualized supports, and other forms of assistance that promote self-determination, independence, productivity, and integration and inclusion in all facets of community life.3

Compelled by Kennedy’s initiatives, legislation in Colorado allowed counties to establish community centers to provide services for people with intellectual and developmental disabilities in 1963. Initially, these community programs were set up to be an alternative to institutionalization but have evolved over the decades into providing services and supports to individuals with intellectual and developmental disabilities.

What Constitutes an Intellectual and Developmental Disability?

According to the DD Act, the term “developmental disability” means a severe, chronic disability of an individual that:

- Is attributable to a mental or physical impairment or combination of mental and physical impairments;
- Manifested before the individual attains age twenty-two and is likely to continue indefinitely;

---

Results in substantial functional limitation in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and

Reflects the individual's need for a combination and sequence of special, interdisciplinary, or generic services, individualized supports, or other forms of assistance that are lifelong or extended duration and are individually planned and coordinated.4

Language in legislation like the DD Act takes time to evolve, and today the American Association on Intellectual and Developmental Disabilities prefers the term “intellectual and developmental disability,” as it encompasses both cognitive and physical aspects of disability.5 Examples of intellectual and developmental disabilities include autism, behavior disorders, cerebral palsy, and Down syndrome. People with intellectual and developmental disabilities benefit from comprehensive long-term services and, with such services at their disposal, are often able to be more active, productive, and independent.6

The State of Colorado’s Role in Providing Care for Individuals with Intellectual and Developmental Disabilities

The State of Colorado oversees and operates health care programs for persons with intellectual and developmental disabilities in Colorado. Title 25.5 of the Colorado Revised Statutes (C.R.S.) designates the Department of Health Care Policy and Financing (HCPF) as the agency responsible for intellectual and developmental services and supports. Title 25.5, C.R.S., also provides rules for the care and treatment of persons with intellectual and developmental disabilities, funding requirements for services and supports, and the designation and evaluation of Community Centered Boards (CCBs).

Community Centered Boards Provide Services and Supports—Title 25.5, C.R.S., defines a CCB as a private entity, either for-profit or nonprofit, that performs the following:

- Determines eligibility of individuals with intellectual and developmental disabilities within a specified geographical area
- Provides case management services to eligible persons
- Serves as single point of entry for persons to receive services and supports
- Provides authorized services and supports to those persons either directly or by purchasing services and supports from service agencies.

CCBs support access to long-term services and supports primarily through Medicaid waivers, which require CCBs to coordinate services to clients in the least restrictive setting possible with the goal of keeping individuals in their home and communities as an

---

5 The American Association on Intellectual and Developmental Disabilities is the oldest organization in the United States that supports individuals with intellectual and developmental disabilities through research and advocacy.
alternative to institutional care. Colorado has twenty CCBs to serve the entirety of the state. Each CCB serves a distinct, non-overlapping geographic region consisting of between one and ten Colorado counties. See Table 1 for a list of Colorado's CCBs and their corresponding county-based geographic regions.

<table>
<thead>
<tr>
<th>CCB</th>
<th>Counties Served</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue Peaks Developmental Services</td>
<td>Alamosa, Conejos, Costilla, Mineral, Rio Grande, Saguache</td>
</tr>
<tr>
<td>Colorado Bluesky Enterprises</td>
<td>Pueblo</td>
</tr>
<tr>
<td>Community Connections</td>
<td>Archuleta, Dolores, La Plata, Montezuma, San Juan</td>
</tr>
<tr>
<td>Community Options</td>
<td>Delta, Gunnison, Hinsdale, Montrose, Ouray, San Miguel</td>
</tr>
<tr>
<td>Developmental Disabilities Resource Center</td>
<td>Clear Creek, Gilpin, Jefferson, Summit</td>
</tr>
<tr>
<td>Developmental Pathways</td>
<td>Arapahoe, Douglas</td>
</tr>
<tr>
<td>Eastern Colorado Services</td>
<td>Cheyenne, Elbert, Kit Carson, Lincoln, Logan, Morgan, Phillips, Sedgwick, Washington, Yuma</td>
</tr>
<tr>
<td>Envision</td>
<td>Weld</td>
</tr>
<tr>
<td>Foothills Gateway</td>
<td>Larimer</td>
</tr>
<tr>
<td>Horizons Specialized Services</td>
<td>Grand, Jackson, Moffat, Rio Blanco, Rout</td>
</tr>
<tr>
<td>Imagine!</td>
<td>Boulder, Broomfield</td>
</tr>
<tr>
<td>Inspiration Field</td>
<td>Crowley, Otero, Bent</td>
</tr>
<tr>
<td>Mountain Valley Developmental Services</td>
<td>Eagle, Garfield, Lake, Pitkin</td>
</tr>
<tr>
<td>North Metro Community Services</td>
<td>Adams</td>
</tr>
<tr>
<td>Rocky Mountain Human Services</td>
<td>Denver</td>
</tr>
<tr>
<td>Southern Colorado Developmental Services</td>
<td>Huerfano, Las Animas</td>
</tr>
<tr>
<td>Southeastern Developmental Services</td>
<td>Baca, Bent, Kiowa, Prowers</td>
</tr>
<tr>
<td>Starpoint</td>
<td>Chaffee, Custer, Fremont</td>
</tr>
<tr>
<td>Strive</td>
<td>Mesa</td>
</tr>
<tr>
<td>The Resource Exchange</td>
<td>El Paso, Park, Teller</td>
</tr>
</tbody>
</table>

Source: Colorado Department of Health Care Policy and Financing.

To receive services through a CCB, an individual with an intellectual and developmental disability first works with his or her designated CCB to determine whether he or she is eligible for services. Once eligibility is determined, the client works with a case manager to determine the appropriate level of services and supports that would best facilitate the individual's growth and independence. Services could include residential services, day habilitation programs, job training, or physical therapy. In some instances, individuals need to wait until funding for services becomes available due to the limited supply of Medicaid waivers. During this waiting period, the CCB provides case management services. Once

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8 Medicaid waivers are the mechanism for the federal government to provide funding to states for health care services and supports.
funding becomes available, the case manager works with the client to coordinate services, whether it be through the designated CCB’s employees or through other service agencies. As shown in Table 1, Rocky Mountain Human Services (RMHS) is the designated CCB for Denver County and serves over 3,000 clients.

**Care for Individuals with Intellectual and Developmental Disabilities in the City and County of Denver**

In 2003, RMHS, then known as Denver Options, Inc., led a ballot initiative, called Initiative 100, to increase property taxes to provide additional financial support for persons with intellectual and developmental disabilities residing in Denver County. On May 6, 2003, Denver voters approved this measure by a vote of 68 percent. Initiative 100 dedicated 1.000 mill to the Developmentally Disabled Fund and specified that revenues put into this fund would be appropriated to RMHS. Refer to Appendix A for Initiative 100 ballot language.

Today, RMHS employs nearly 250 individuals, with positions ranging from case manager to behavioral health therapist to registered nurse. In 2015, the organization’s founder and Chief Executive Officer (CEO) was placed on paid leave and subsequently terminated, along with the organization’s Chief Financial Officer (CFO). As of October 2015, RMHS’s leadership includes an Interim CEO and a newly hired CFO. Seven program directors report directly to the Interim CEO, as illustrated in Figure 1.

**Figure 1: Rocky Mountain Human Services Organizational Chart**

Source: Rocky Mountain Human Services.

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9 According to § 25.5-10-206 (6), C.R.S., local jurisdictions may establish a local funding source to support their designated CCB.

10 The organization changed its name from Denver Options to Rocky Mountain Human Services in 2012 to reflect the expanded mission of the nonprofit to serve not only within the Denver area but also the Western Slope and to more accurately represent the broader populations it serves.

11 A mill levy is a property tax assessed by a local government, based on the value of the owned property, the assessment rate, and the millage rate. In this case, 1,000 mill is equal to $0.001, or 1/10th of a penny, for every one dollar of assessed property value. Once approved by the voters, portions of property taxes are assigned to fund specific functions.
Rocky Mountain Human Services Board of Directors—RMHS is presided over by its Board of Directors (Board), which is responsible for the fiduciary duties and management and control of the nonprofit organization’s undertakings and the selection of an Executive Director to run the organization’s daily operations. The Board comprises ten members including a chair, vice chair, treasurer, and secretary and is governed by a set of bylaws. The bylaws establish the following responsibilities of the Board, including:

- All powers, duties, responsibilities and other rights relative to the management and control of the corporation’s property and affairs
- Ensuring that the funds and property received by the corporation are distributed only for the purposes for which they were given
- Establishing roles and responsibilities of the board including terms, eligibility, and addressing conflict of interest
- Requiring regular accounting of the funds disbursed by the corporation
- Selecting and employing an Executive Director as its CEO and delegating authority and responsibility for the management of the daily affairs of the corporation in accordance with the policies of the Board.12

Rocky Mountain Human Services Funding Sources—According to RMHS’s fiscal year 2014 audited financial statements, the nonprofit organization receives the majority of its funding from the federal government, the State of Colorado, and the City and County of Denver. It also receives a small portion of funding from other sources.13 Figure 2 illustrates the distribution of RMHS’s funding from federal, state, local, and other sources.

Federal Funds—Medicaid waivers make up the majority of RMHS’s funding and provide the means for the State of Colorado to deliver and pay for health care services provided to its clients.14 RMHS also receives federal grants from the Departments of Health and

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13 Other funding sources include donations, private grants, and revenue from Medicaid billing services for independent subcontractors and Developmental Pathways.
Human Services, Veterans Affairs, Labor, Education, and Housing and Urban Development. Federal funding makes up 50 percent of RMHS’s budget.

State Funds—RMHS receives funds from the State of Colorado’s General Fund, the Colorado Department of Education, and the Colorado Department of Human Services. State funding makes up 15 percent of RMHS’s budget.

Local Funds—RMHS receives funding from the City through a dedicated mill levy. In 2015, RMHS received approximately $11.5 million, and is projected to receive approximately $14.5 million in 2016. Mill levy funding makes up 27 percent of RMHS’s budget. Table 2 below captures the actual amounts that have been provided to RMHS by the mill levy. From 2004 through 2015, RMHS has received nearly $121 million and is forecasted to receive approximately $14.5 million in 2016.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mill Levy Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$7,555,000</td>
</tr>
<tr>
<td>2005</td>
<td>$7,721,200</td>
</tr>
<tr>
<td>2006</td>
<td>$8,022,300</td>
</tr>
<tr>
<td>2007</td>
<td>$8,383,300</td>
</tr>
<tr>
<td>2008</td>
<td>$8,718,600</td>
</tr>
<tr>
<td>2009</td>
<td>$11,081,819</td>
</tr>
<tr>
<td>2010</td>
<td>$11,358,000</td>
</tr>
<tr>
<td>2011</td>
<td>$10,965,000</td>
</tr>
<tr>
<td>2012</td>
<td>$10,328,500</td>
</tr>
<tr>
<td>2013</td>
<td>$12,981,241</td>
</tr>
<tr>
<td>2014</td>
<td>$11,492,988</td>
</tr>
<tr>
<td>2015*</td>
<td>$11,466,000</td>
</tr>
<tr>
<td>2016**</td>
<td>$14,551,414</td>
</tr>
</tbody>
</table>

Source: City Budget Books 2006-2016

* Indicates Appropriated Funds
**Indicates Recommended Funds

City Oversight of Rocky Mountain Human Services

According to Denver City Charter, City Council is responsible for approving and appropriating funds, including those raised by the mill levy to be given to RMHS annually through the Developmental Disabilities Fund.15 City Council also provides limited oversight of mill levy spending by RMHS. Pursuant to a contract between RMHS and the Denver Department of Human Services (DDHS), RMHS is to present and prepare a report annually for City Council. The contract also specifies that DDHS is responsible for allocating and ensuring proper usage of mill levy funds by RMHS. DDHS’s Business Management Division is responsible for contract monitoring and DDHS’s Financial Services Division is responsible for invoice processing and payment. The most recent contract between DDHS and RMHS was

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15 See D.R.M.C. § 7.2.1.
signed in 2013 and includes the option for the City to renew the agreement for four additional one-year periods, ending in 2017.

The primary provisions of the contract between DDHS and RMHS include the following:

- **The Intent of Initiative 100**—Taxes shall be increased to provide services and support for Denver residents with intellectual and developmental disabilities.

- **Monthly Invoices**—RMHS is required to prepare and submit to DDHS monthly invoices, which itemize expenses for each category listed within the scope of work, including administrative costs. Each expenditure report must be supported with official source documentation such as timesheets, payroll, and receipts. These documents are to be submitted upon request by DDHS.

- **Quarterly and Annual Progress Reports**—RMHS is required to submit to DDHS quarterly progress reports and one annual report detailing program efforts for Denver residents with intellectual and developmental disabilities.

- **Scope of Work**—Referred to as Exhibit A in the contract, this scope of work is updated annually to reflect new spending thresholds for four program areas—State Match Requirements, Children and Family Services and Supports, Adult Services and Supports, and Quality Assurances. Some examples of spending in these areas can include, but are not limited to early intervention programs for individuals up to three years old, family support, social and life skill development, case management, and communications and outreach. For more detail, refer to Appendix B.
SCOPE

The audit assessed the contract administration practices of the Denver Department of Human Services (DDHS) with regard to its contract with Rocky Mountain Human Services (RMHS). Additionally, the audit examined RMHS’s compliance with contract terms, including its accounting and reporting practices.

OBJECTIVE

The objective of the audit was to determine whether DDHS and RMHS are in compliance with contract terms, specifically:

- Mill levy spending requirements
- Reporting and oversight provisions

Additionally, we sought to determine whether RMHS’s financial condition could impede its ability to ensure continued service delivery to clients with intellectual and developmental disabilities.

METHODOLOGY

We applied various audit methodologies during the audit process to gather and analyze information pertinent to the audit scope and to assist with developing and testing the audit objectives. The methodologies included the following:

- Interviewing personnel from DDHS’s Business Management Division and Financial Services Division to understand contract administration and invoice payment policies and procedures
- Reviewing the Business Management Division’s contract manual to determine whether the proper amount of oversight was deployed for its contract with RMHS
- Interviewing City Council members and personnel from the City Attorney’s Office to learn about the history of the mill levy, current contract provisions, and contract oversight mechanisms
- Analyzing financial statements using financial ratios to understand RMHS’s financial condition over the past five years
- Interviewing RMHS leadership to understand the organization’s current financial state and its efforts to correct weak organizational and financial practices
- Interviewing RMHS accounting staff to understand the organization’s policies and procedures regarding invoicing, reconciliation, and payroll
Interviewing RMHS accounting staff to understand the organization’s internal controls, fraud indicators, and safeguards

Reviewing RMHS’s Internal Revenue Service Form 990 for fiscal years 2013 and 2014 to understand the organization’s tax and compensation structures

Interviewing RMHS performance management staff to understand the organization’s quality and use of performance data

Conducting contract testing to determine whether RMHS was in compliance with reporting and oversight provisions

Conducting invoice testing to determine whether RMHS was in compliance with administrative and programmatic spending thresholds

Conducting transaction testing to determine the reasonableness of expenditures and whether source documentation was sufficient

Reviewing bank reconciliations to determine whether past bank activity was reflective of RMHS’s general ledger

Comparing RMHS’s financial condition and organizational structure to similar Community Centered Boards (CCBs) in the Denver Metro area

Interviewing RMHS’s Board of Directors to understand decision-making responsibilities for strategic planning and daily operations of the organization

Interviewing personnel from the Colorado Department of Health Care Policy and Financing to understand their contracting procedures with RMHS and upcoming changes to the CCB system through the enactment of §25.5-6-409.3, Colorado Revised Statutes
FINDING

Denver Department of Human Services’ Failure To Adequately Monitor its Contract with Rocky Mountain Human Services Has Contributed to Misuse of Taxpayer Funds

In 2003, the citizens of the City and County of Denver (City) voted in favor of increasing property taxes to support the intellectually and developmentally disabled community. These funds are provided to Rocky Mountain Human Services (RMHS) through a contract with the Denver Department of Human Services (DDHS). We found that DDHS has not monitored the RMHS contract and has not held RMHS accountable for its spending of the mill levy funding it has received.

Without adequate monitoring in place, DDHS cannot ensure that RMHS is in compliance with contract terms. In our review, we found that invoices related to this contract have been paid with little scrutiny by DDHS. As a result, RMHS has been permitted to make questionable purchases using taxpayer funds. In addition, we found that RMHS’s accounting practices do not follow standards when categorizing expenses. We also reviewed contract terms and requirements. Although the RMHS contract has been renewed annually, we found a number of terms to be vague and outdated. Vague and outdated contract language decreases DDHS’s ability to enforce contract terms, hindering accountability and transparency.

A lack of contract compliance further exacerbated by vague and outdated contract language, hinders DDHS’s ability to ensure that mill levy funds are going towards providing services and support for children and adults with intellectual and developmental disabilities who reside in the City.

Denver Department of Human Services Has Not Ensured Contract Compliance

We found that DDHS does not apply the appropriate level of scrutiny to monthly invoices submitted by RMHS for payment using mill levy funds. Further, DDHS has not required supporting documentation to be submitted with these invoices and therefore lacks key documentation to ensure that RMHS is seeking reimbursement for activities that are in compliance with contract terms.

During the course of our audit, we found five instances in which RMHS has been out of compliance with the terms of the contract with DDHS. First, RMHS has charged the City for expenses that are questionable in nature. Second, RMHS has overcharged the City for certain administrative expenses. Third, RMHS is not transparent about sources of funding for executive salaries and fundraising activities. Fourth, some RMHS payroll expenditures are outside of contract terms. Finally, RMHS has been providing services with mill levy funding to individuals who live outside of the City.
RMHS Has Charged the City for Questionable Expenditures

As part of our audit work, we reviewed a sample of transactions from monthly invoices submitted to DDHS in June 2014, April 2015, and May 2015. In addition, we reviewed RMHS’s unaudited cash disbursement transaction data from January 2014 to July 2015 that detailed expenditures paid for with mill levy funds. We found some of the transactions to be questionable in nature based on their lack of direct benefit to program recipients residing in Denver. Some of the questionable expenditures include the following:

- **Meeting Expenses**—In 2014 alone, RMHS meeting expenses exceeded $48,000. The majority of these transactions were food-related expenses billed directly to program areas or considered an administrative expense. RMHS routinely provided lunch for employees during meetings, often multiple times per week. According to RMHS, providing lunch was used as a method of increasing employee morale.¹⁶

  While some meeting expenses may be considered a true cost of a program, the reasonableness of such a cost may be questionable. The Federal Office of Management and Budget (OMB) advises that when determining the reasonableness of a cost, consideration should be given to whether the cost is ordinary and necessary for the operation of the organization, whether the cost is a requirement of generally accepted business practice or laws and regulations, whether the individuals acted with prudence given the circumstances, and whether there are significant deviations from practices already established by the organization which may unjustifiably increase costs.

- **Employee Benefits**—RMHS provided all of its employees annual memberships to the wholesale club Costco for personal use, totaling approximately $18,900 per year. In addition, RMHS reimbursed all employees for their home internet service, regardless of their business need, through a stipend of $35 each month, totaling more than $144,000 per year.¹⁷ We also found that RMHS reimbursed staff for mileage associated with travel outside of Denver County. Finally, mill levy funds were used to pay for an employee going-away party at a bar and restaurant in Lone Tree, Colorado.

As of June 2015, RMHS management has reduced these expenses. Lunch meeting expenses have been cut back and Costco memberships and home internet reimbursements have been discontinued. To restrict this type of questionable spending in the future, DDHS should amend the contract exhibit to specify what constitutes an allowable cost.

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¹⁶ RMHS also allowed employees to order lunch from neighboring restaurants and have the expense deducted from their payroll. These expenses were not included in the meeting expense line item. However, this practice causes additional administrative duties for facilities and accounting staff.

¹⁷ Costco memberships and home internet reimbursement were calculated using a staff count of 344. This number reflects the staff count prior to layoffs which occurred in June 2015.
Additionally, we found that some of the RMHS transactions in our sample fell outside of the contract’s scope of work and thus should not have been paid by the City. These expenses included fundraising costs for veteran’s programs serving the Western Slope of Colorado, training sponsorships for clinicians living in the Pacific Northwest, and rent for RMHS’s office space in Colorado Springs.

DDHS never requested source documentation to support invoices submitted by RMHS and, therefore, was not able to verify whether RMHS expenditures such as these were in compliance with contract provisions. As such, DDHS should request supporting documentation to make such determination on all future invoices from RMHS.

**RMHS Administrative Expenses Exceeded Contract Terms**

In addition to revealing questionable expenditures on RMHS invoices, our audit work found that RMHS overcharged the City in administrative expenses by $679,330 from January 2014 to June 2015. According to the contract:

> Administrative costs are inclusive of the amounts identified as target expenditures within this exhibit. Up to 15% of those targeted expenditures may include reasonable administrative cost actually incurred for the provision of services under this Agreement.

This means that RMHS cannot seek reimbursement for more than 15 percent of its expenses as administrative costs in each of the three program areas—Children and Family Services and Supports, Adult Services and Supports, and Quality Assurance. During our invoice review, we found that RMHS sought reimbursement for more than 15 percent in administrative costs on every invoice in at least one of the three program areas; RMHS overcharged for administrative costs in at least two program areas on ten of seventeen invoices we reviewed. As of July 2015, RMHS accounting staff have modified their allocation calculation to ensure that administrative expenses do not exceed 15 percent for any program area.

Administrative expenses—often called indirect costs, overhead, or allocated operating expenses—are defined as costs incurred by an organization for a common objective that cannot be easily attributed to a single program or cost area. The OMB and the Financial Accounting Standards Board (FASB) provide guidance for nonprofit organizations on whether to categorize expenses as administrative. Specifically, FASB Standard 117 provides a list of examples of common administrative expenses, which can include general recordkeeping, budgeting, financing, management, and oversight. Nonprofits can then combine costs incurred from these categories and allocate the total across different program areas as an administrative expense. As such, DDHS should request source documentation to validate that administrative expenses do not exceed 15 percent on all future invoices from RMHS.
RMHS Is Not Transparent about Sources of Funding for Executive Salaries and Fundraising Activities

During our review of RMHS’s financials, we determined that RMHS does not properly classify executive salaries or account for expenses related to fundraising. In 2014, RMHS did not classify the former RMHS Chief Executive Officer’s (CEO’s) salary as an administrative expense. OMB guidance specifies that executive salary and benefits should be classified as an administrative expense and subsequently allocated across program areas. Thus, RMHS should have included this expense within the 15 percent administrative expense allowed under its contract with DDHS.

RMHS personnel could not explain why executive salary was not properly classified. In fiscal year 2014, the former CEO’s earnings totaled $478,974 in payroll and benefits. As shown in Figure 3, this was considerably higher than other CCBs in the Denver metro area—$263,376 more than the next-higher-paid executive. RMHS reported that the former CEO’s salary was justified using market studies prepared by Mountain States Employers Council and their own comparisons of executive salaries with similar organizations.

![Figure 3: 2014 CCB Executive Pay](image)

Source: IRS Form 990s of each CCB for fiscal year 2014.

When auditors sought to determine the source of the former CEO’s salary and benefits, RMHS’s IRS Form 990 reported that no government funds were set aside for the CEO’s compensation package. We then asked new management at RMHS about the source of funding for the former CEO’s salary and benefits. These individuals stated that they cannot determine the source of funds for the former CEO’s compensation. Even if RMHS determined that the former CEO’s high salary was justified, it should have proper accounting practices in place to demonstrate the funding source for this expense. As

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18 This requirement was previously established by OMB Circular A-122. However, as of December 2013, the OMB has incorporated OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102, and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up into a single source of guidance known as the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. See 2 CFR Chapter I, Chapter II, Part 200, et al.
such, DDHS should request source documentation to validate that executive salaries are properly classified as administrative expense.

Similar to executive salary and benefits, RMHS has not been transparent with regard to how fundraising expenses are funded. Not only does current management not know how former management paid for activities related to fundraising, but RMHS has also not included this expense within its audited financial statements, which are required by OMB. All other Denver Metro area CCBs have reported fundraising expenses in the past except for the smallest organization in the peer group, Foothills Gateway. Additionally, FASB Standard 117 specifies that annual financial statements should provide information about supporting activities, including fundraising, to help donors, creditors, and other stakeholders in assessing the organization's service efforts.

When accounting for these expenses, OMB guidance specifies that fundraising should be treated as a separate program area that incurs its own allocation of the organization's administrative expenses. Federal awards will not pay for fundraising expenses, therefore RMHS should also have a revenue stream to fund these efforts. As such, DDHS should request source documentation to validate that administrative expenses do not include fundraising expenses.

**Personnel Expenses Outside of Contract Terms**

The mill levy is currently funding all personnel costs for RMHS's Communications and Development Department, which comprises seven positions responsible for the organization's internal and external communications, media relations, events, and individual and corporate giving throughout Colorado. Although this department is responsible for work that directly relates to the scope of the contract with DDHS, some of its work does not. According to the contract, mill levy funds should support community outreach and communications for programs serving intellectually and developmentally disabled individuals in Denver. Specifically:

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19 FASB 117 defines fundraising as, activities include publicizing and conducting fund-raising campaigns; maintaining donor mailing lists; conducting special fund-raising events; preparing and distributing fund-raising manuals, instructions, and other materials; and conducting other activities involved with soliciting contributions from individuals, foundations, government agencies, and others.

20 This requirement was previously established by OMB Circular A-133. However, as of December 2013, the OMB has incorporated OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102, and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up into a single source of guidance known as the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. According to this guidance, non-federal entities that expend $750,000 or more in a year in federal awards shall have a single audit conducted for that year. See 2 CFR Chapter I, Chapter II, Part 200, et al.

21 This requirement was previously established by OMB Circular A-122, the provisions of which are now included in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. See 2 CFR Chapter I, Chapter II, Part 200, et al.
Community Outreach and Communications: Mill levy funds will support the development and distribution of informational materials, holding forums and other communication efforts designed to reach the Denver community for the purposes of informing and/or educating the public about the conditions of developmental disabilities, how to apply for service, and the types of services and supports that are offered through Denver Options, Inc. and its provider network.

Since this department is responsible for all of RMHS’s communications and development in Colorado, and not those directly supporting RMHS’s intellectual and developmental disability programs, RMHS is not in compliance with contract terms. In 2014, total personnel costs for this department were $528,920. Personnel costs were $224,625, as of August 2015. DDHS should require source documentation to support that mill levy funds are only funding communications and outreach expenses for intellectual and developmental disability programs for Denver residents.

**Taxpayer Money May Be Improperly Funding RMHS Clients Residing Outside of Denver**

RMHS serves 3,025 clients within its four programs for intellectually and developmentally disabled children and adults and their families. 461 clients (15 percent) live outside of Denver County. Of those 461 clients, 329 clients (71 percent) utilize the federally funded Home and Community Based Services—Developmental Disabilities (HCBS-DD) Waiver. The HCBS-DD Waiver serves adults over the age of eighteen who require twenty-four-hour services and support, including residential and day habilitation support.

According to RMHS staff, HCBS-DD Waiver recipients often reside where the most suitable housing situation is located. For example, a client originally residing within Denver County may move out of the county in order to receive the most fitting services and supports for his or her disability. When an RMHS client resides outside of Denver for more than ninety days, RMHS is supposed to transfer the client to the designated CCB for the new geographic area. However, RMHS has retained many of these individuals for case management, service coordination, and direct services. Staff explained that this is to ensure continuity of service for clients.

The financial impact of RMHS retaining clients who have moved outside of Denver County cannot be quantified because RMHS’s financial system cannot track mill levy spending on a per-client basis. According to the intent of Initiative 100, mill levy funding is supposed to serve Denver residents only. DDHS should work with the City Attorney’s Office and RMHS to determine how to best address residency requirements of Initiative 100. Currently, Denver Revised Municipal Code is silent regarding the intent of Initiative 100. DDHS should work with the City Attorney’s Office and City Council to determine whether the intent of Initiative

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22 See 10 CCR 2505-10, 8.607.F.
100 should be codified in City Ordinance and filed with the Office of the Clerk and Recorder.

RMHS Contract Language Is Vague and Outdated

In addition to reviewing DDHS’s contract monitoring efforts, we also assessed the provisions of the RMHS contract itself. In doing so, we found some of the contract terms to be outdated and that certain terms of the contract were vague and left open to interpretation. Specifically, local match requirements in the exhibit have not been enforced by the State since 2007, yet is still included in the current contract; language requiring RMHS to report to City Council annually lacks specificity; and conflicting or outdated language still exists in the annually-updated exhibit.

According to contract monitoring best practices, prescriptive language is essential to effective monitoring. Outdated and vague contract language can increase difficulty in enforcing and monitoring contracts. In addition, diligent contract monitoring can only occur if contracts clearly define expectations through a detailed statement of work, including establishing roles and responsibilities for monitoring.

Local Match Requirement Is Outdated

RMHS includes on its monthly invoice to DDHS a line item called “State Match Requirements - 5% Local Match Required” and bills DDHS for $111,667 accordingly. This contract provision amounts to $1.34 million annually. The contract specifies that “five percent of State funding for the care and treatment of the developmentally disabled shall be derived from local funding which may include funds obtained from a mill levy.”

When originally specified in the contract, the purpose of the State Match Requirement was for the state to supplement Medicaid reimbursement with local funds. The state would then retain the Medicaid funds not reimbursed to the CCBs for the provision of additional services. Each CCB would be reimbursed by the state at 95 percent for its monthly services. It was then incumbent upon the CCB to secure the additional 5 percent from local funding sources, including government entities, political subdivisions of the state, cash donations or contributions, and donor restricted donations.

This provision exists in state statute, but the Colorado Department of Health Care Policy and Financing (HCPF) staff reported that they have not enforced the statute since 2007. However, when the current contract between RMHS and DDHS went into effect in 2013, the local match language was retained in the exhibit, which continues to be updated annually.

When asked about this line item, RMHS staff stated that the funds the organization receives for the local match contract provision go into RMHS’s operating account and cannot be traced to specific expenses. This in effect means that the City is paying RMHS approximately $1.34 million annually based on a provision that the state does not enforce and there is a lack of transparency related to the use of these funds.

23 See §25.5-10-206, C.R.S., and 10 CCR 2505-10 8.600.
RMHS Is Not Meeting Regularly with City Council

One of the provisions of the RMHS contract implies that RMHS should be meeting with City Council to update members on its activities in the role of CCB for Denver. However, due to ambiguity in the contract language, RMHS has not met with City Council since February 2013. Interviews conducted with City employees and RMHS management affirmed our assessment that the specifics of this requirement are not clear. One example of vagueness that occurs in the contract follows:

B. Additional Reports. During the Initial Term of this Agreement or any Renewal Term, the Contractor shall also prepare and deliver on dates mutually agreed upon by the parties written reports and presentations to the City Council describing all of its programs and operations as the CCB for the City and County of Denver, program costs and expenditures, and community outreach efforts.

The contract language does not define which party is responsible for initiating the meeting nor does it specify when during the year or how frequently the presentations should occur. Although the contract has been renewed each year since the current contract term began in 2013, there have been no presentations given to City Council since February 19, 2013, thereby diminishing this additional oversight mechanism. City Council should act as a compensating control to DDHS's monitoring efforts.

As illustrated in Appendix B, other issues worth noting regarding vague and outdated contract language within the exhibit include the following:

- Item IV-E: Center for Training and Technical Assistance (CTAT)—A department at RMHS responsible for training and technical assistance was abolished in June 2015.
- Item VI: Written Reports—This item requires written reports, but neither party knows to what this requirement refers. The contract fails to specify what is to be included in the written report and whether this reporting requirement is the same as the quarterly and annual progress reports already required in the contract terms.

DDHS should update contract language to address deficiencies by clarifying reporting requirements and eliminating any outdated items such as local match and CTAT areas in the contract.

Denver Human Services Does Not Adequately Monitor Its Contract with RMHS

In light of the inappropriate expenditures, accounting practices, and failure to update contract language that we noted during audit work, we asked DDHS about its contract monitoring practices. Although DDHS has contract monitoring procedures in place, DDHS has stated that it does not monitor the RMHS contract because it considers itself the “pass-through” organization for the associated mill levy funds. Despite DDHS management’s perception of their limited role in overseeing RMHS’s services, proper monitoring would have caught the issues identified by this audit.
Why Is Contract Monitoring Important?

Contract monitoring is important because it ensures that responsible parties perform all duties as specified in the provisions of a contract, and it minimizes the possibility for contractual disputes in the future. As stated in DDHS’s operations manual, quality contracting services, which include monitoring, ensure that customer expectations are met, risks are mitigated to the City and its citizens, and value is added to all transactions. Most importantly, the City’s contracting policy, Executive Order 8, requires that agencies monitor their contracts with outside entities. The initiating authority must monitor performance under the contract throughout the life of the contract, which includes not only ensuring that terms of the contract are met, but also documenting contract monitoring deliverables.

According to a review of contract monitoring best practices conducted by the State of Minnesota’s Office of the State Auditor, not all contracts should be monitored to the same level. When determining the appropriate level of monitoring, several factors should be taken into account, including dollar amount, complexity, political or social importance, media or community interest, vendor experience, and history of problems. The level of monitoring should be consistent with the complexity of the contract without impeding the contractor’s ability to complete the work.

DDHS already has monitoring policies and procedures in place that should be utilized to ensure that RMHS complies with contract terms. A significant portion of the DDHS Financial Services Division’s duties relate to ensuring that submitted invoices accurately reflect the services allowable under the contract. In addition, the DDHS Business Management Division’s operations manual specifies that billing should be reviewed “for compliance with the requirements of the contract.” Furthermore, the operations manual outlines policies and procedures for monitoring contracts, including reporting requirements, records retention, and monitoring responsibilities. The operations manual also lists four types of monitoring that could be implemented for a contract:

- Program or Managerial Monitoring—Review of the quality of the services being provided and the effectiveness of those services addressing the needs of the program
- Performance Monitoring—Review and analysis of current program information to determine the extent to which contractors are achieving established contractual goals
- Compliance Monitoring—Monitoring to ensure that the requirements of the contract document and DDHS policies are being met
- Financial Monitoring—Review of financial systems and billings to ensure that contract funds are allocated and expended in accordance with the terms of the contract

Through proper monitoring over time, DDHS could ensure the establishment of effective internal controls at RMHS. Internal control is a process guided by oversight personnel that

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provides reasonable assurance that the objectives of an entity will be achieved. Guidance established by the U.S. Government Accountability Office (GAO) emphasizes the importance of monitoring as a component of internal control, and emphasizes that it should be built into the entity’s operations, be performed continually, and be responsive to change. In addition, GAO guidance advises that data should be relevant and obtained from reliable sources. Data should be processed into quality information that supports the internal control system as a whole, and allows management to make informed decisions and evaluate the entity’s performance in achieving key objectives and addressing risks.25 In the context of the contract, RMHS’s system of internal controls would be strengthened by regular collection and verification of timesheets, invoices, payrolls, and other source documentation for submission to DDHS. This would provide DDHS with reasonable assurance that RMHS is appropriately spending mill levy funds.

Poor Monitoring of the RMHS Contract Has Multiple Negative Effects

DDHS’s lack of monitoring of the RMHS contract, exacerbated by vague and outdated contract terms, negatively impacts the City, individuals with intellectual and developmental disabilities, and the taxpayers of Denver. The unreasonable spending practices of RMHS have led to financial mismanagement of mill levy funds. This includes not only day-to-day transactions such as meeting expenses, but also administrative expenses that far exceed the allowable amount stipulated within the contract.

RMHS’s mishandling of mill levy funds may have led to a decrease in services for RMHS clients. Funds that were dedicated to inappropriate organizational expenses could have been spent directly on program services and supports. Further, lack of monitoring could result in a loss of confidence in the City’s ability to serve one of its most vulnerable populations and manage taxpayer funds. RMHS clients could grow skeptical of the organization’s capacity to provide sufficient services and supports for their benefit. Taxpayers could also question whether other City programs and services that are administered by nonprofit organizations are monitored properly. Although these effects are not quantifiable, their impact can reverberate as distrust in RMHS and the City and County of Denver’s ability to fulfill its obligations to its residents. Accordingly, DDHS should monitor its contract with RMHS by reviewing, at a minimum, the monthly financial statements, cash disbursements, and administrative expenses and conduct quarterly cycle audits to understand how mill levy funding is utilized. In addition, DDHS should ensure that RMHS’s Board of Directors is executing its fiduciary duty to ensure mill levy funds are spent according to the contract.

25 Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis.
RECOMMENDATIONS

We make the following recommendations to improve the Denver Department of Human Services’ (DDHS) oversight of Rocky Mountain Human Services’ (RMHS) use of mill levy funds to serve Denver’s intellectually and developmentally disabled community.

1.1 Allowable Costs—DDHS should amend the contract exhibit to specify what constitutes an allowable cost to restrict questionable spending of mill levy funds in the future.

1.2 Source Documentation—DDHS should request source documentation from RMHS to verify that expenditures were in compliance with contract terms. At a minimum, DDHS should verify that administrative costs do not exceed 15 percent on all future invoices, that executive salaries are properly classified as administrative expenses, that administrative expenses do not include fundraising expenses, and that mill levy funds are only funding communications and outreach expenses for intellectual and developmental disability programs.

1.3 Residency Requirements—DDHS should work with the City Attorney’s Office and RMHS to determine how to best address the residency requirements of Initiative 100.

1.4 Initiative 100—DDHS should work with the City Attorney’s Office and City Council to determine whether the intent of Initiative 100 should be codified in City Ordinance and filed with the Office of the Clerk and Recorder.

1.5 Update Contract—DDHS should address deficiencies in the RMHS contract by clarifying reporting requirements, such as annual reporting to City Council, and eliminating any outdated items, such as local match and the Center for Training and Technical Assistance areas in the contract exhibit.

1.6 Monitoring—DDHS should monitor its contract with RMHS by reviewing, at a minimum, monthly financial statements and cash disbursements, and conduct quarterly cycle audits to understand how mill levy funds are utilized. In addition, DDHS should ensure that RMHS’s Board of Directors is executing its fiduciary duty to ensure mill levy funds are spent according to the contract.
OTHER PERTINENT INFORMATION

Rocky Mountain Human Services’ Financial Condition Has Been Deteriorating and Could Be Further Exacerbated by Changes to Medicaid in Colorado

An Other Pertinent Information section is intended to provide the reader with additional content on a subject that is related to but not the primary focus of the audit. This section does not require any official response from the auditee; however, it adheres to the Auditor’s Office’s citizen-centric philosophy of using audit reports to inform the citizenry of relevant public policy issues and potential risks affecting their community.

Over the past ten years, Rocky Mountain Human Services (RMHS) has been expanding its services beyond those necessary to carry out the organization’s role as a state-designated Community Centered Board (CCB). RMHS has expanded service delivery without sufficient funding to support its additional activities, which has contributed to the poor financial condition of RMHS today. In addition, recent changes to the federal Medicaid rules will impact RMHS’s role as Denver’s CCB and the current manner in which they receive mill levy funding from the City and County of Denver (City). Specifically, federal rule changes could affect RMHS’s ability to adhere to the residency requirements of the mill levy funding agreement, which may require a change to the provisions of Initiative 100. This Other Pertinent Information section provides greater detail on RMHS’s financial condition and how the federal rule changes will affect the funding agreement between the Denver Department of Human Services (DDHS) and RMHS.

Rocky Mountain Human Services’ Program Expansion Has Weakened the Organization’s Financial Condition

RMHS recently underwent a series of program expansions aimed at enlarging the organization’s mission to areas beyond the confines of intellectually and developmentally disabled services and support as the CCB for the City. In April of 2008, with financial support from a number of foundations, RMHS launched Operation TBI Freedom to serve Colorado military personnel and veterans returning from the Middle East who have suffered a traumatic brain injury. In 2011, RMHS also began serving homeless veterans through the Homes for all Veterans program, which added ten additional staff to their Colorado Springs, Denver, and Grand Junction locations. Finally, in 2012, RMHS’s Board approved an expanded mission statement and changed the name of the organization from Denver Options, Inc. to Rocky Mountain Human Services to reflect its plans for expansion throughout the Rocky Mountain West over the next decade. However, without strong management and a sound financial strategy to guide this strategic growth, RMHS’s financial condition has been steadily declining over the past several years. The following sections detail the degree to which RMHS’s financial health has suffered.
Recent Financial Struggles and Changes in Executive Management at RMHS

In May 2015, RMHS informed the Colorado Department of Health Care Policy and Financing (HCPF) that the organization was facing significant budgetary challenges. This led to negative media coverage questioning some of RMHS's financial decisions, including the salaries of its leaders. As mentioned in the Introduction and Background, the organization's founder and Chief Executive Officer (CEO) was placed on paid leave and subsequently terminated in July 2015, along with the organization's Chief Financial Officer (CFO). In order to begin addressing financial challenges, new RMHS leadership implemented a 10-percent budget cut across the organization and laid off over seventy employees. In addition, according to RMHS management, the organization plans to increase administrative fees for independent contractors providing services to individuals with intellectual and developmental disabilities from 3 percent to 17 percent. New management at RMHS, including an Interim CEO and a CFO, are leading the organization through significant organizational change to correct past financial issues.

Rocky Mountain Human Services' Current Financial Condition

To assess the current financial condition of RMHS as a steward of Denver's mill levy funding, the audit team analyzed the organization's financial statements and calculated five different financial ratios. Based on our analysis, it appears that RMHS's financial condition has been steadily declining in recent years. RMHS has inadequate cash reserves and liquidity, which appear to have affected its borrowing and spending behavior. RMHS does not appear to have adjusted spending in response to diminishing cash flows.

Financial Statements—Our review of RMHS’s financial condition indicates that the nonprofit organization has been deteriorating over time. We analyzed RMHS’s financial statements from fiscal years 2009 through 2014, which include the Statement of Financial Position, the Statement of Activities, and the Statement of Cash Flows.

- The Statement of Financial Position, also known in the private sector as the balance sheet, reports on the nonprofit organization's assets and liabilities.
- The Statement of Activities, also known in the private sector as the income statement, reports on the nonprofit organization’s revenues and expenses.
- The Statement of Cash Flows shows how changes in the Statement of Financial Position and the Statement of Activities affect cash and cash equivalents in the operating, investing, and financing activities of the organization.

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26 RMHS’s financial statements represent the twelve-month period from July 1 to June 30 of the next year and are audited annually by an independent audit firm.
27 Cash equivalents include items such as marketable securities, stocks, bonds, and bank certificates of deposit.
Key trends apparent within these financial statements indicate that RMHS has been borrowing more, revenues have not kept pace with growth in expenses, and cash flows have been steadily declining to negative values in 2014, all of which collectively illustrate a deteriorating financial condition.

Financial Ratios—In addition to reviewing financial statements, we calculated various financial ratios over a five-year period to assess RMHS’s performance. Ratios included the defensive interval, cash flow liquidity, debt, net temporarily restricted asset, and management expense.

Benchmarking is another way an organization can measure its performance. We calculated the defensive interval, cash flow liquidity, and management expense ratios for the following CCBs for fiscal year 2014:

- Developmental Disabilities Resource Center (DDRC) serving Jefferson, Clear, Gilpin, and Summit Counties
- Developmental Pathways serving Arapahoe and Douglas Counties
- Imagine! serving Boulder and Broomfield Counties
- Foothills Gateway serving Larimer County

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28 Ratios alone do not provide a full assessment regarding how well an organization is or is not performing. By trending ratios over time, executive management and oversight boards can identify troubled areas in an organization.
Defensive Interval Ratio—The defensive interval ratio measures how many months a nonprofit would be able to operate in the event that all of its funding sources ceased. This ratio considers the organization’s current assets and total expenses. We calculated RMHS’s defensive interval ratio using the following formula:

\[
\frac{\text{Cash + Receivables}}{\text{Average Monthly Expenses}}
\]

According to the results displayed in Figure 4, RMHS’s defensive interval ratio has been declining since 2012. For example, in 2014, RMHS could not remain solvent for more than two and one-half months without additional revenue. The standard for the nonprofit industry suggests that an organization should have between three and six months of cash reserves.

We found that RMHS’s defensive interval ratio is lower than other CCBs. As Figure 5 illustrates, every other CCB we benchmarked against could operate for three months or more, whereas RMHS could operate just beyond two months. Accordingly, RMHS’s clients may be at risk of not receiving services with inadequate cash reserves available to operate the organization.

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29 Current assets represent the value of all assets that can be converted into cash within one year.
Cash Flow Liquidity Ratio—The cash flow liquidity ratio measures the ability of an organization to cover its current liabilities.\footnote{Current liabilities represent the value of all obligations of the organization that are to be fulfilled within one year.} It captures the relationship between the organization’s current liquid assets—those that can be quickly converted to cash—and current liabilities. We calculated RMHS’s cash flow liquidity ratio using the following formula:

\[
\frac{\text{Cash + Marketable Securities + Operating Cash Flows}}{\text{Total Current Liabilities}}
\]

Figure 6 illustrates the rapid decline of RMHS’s cash flow liquidity beginning in 2010. In 2014, the ratio was -0.09:1, which means that RMHS was facing severe losses and could not cover its obligations. A ratio of 1:1 indicates that an organization is operating with no working capital and is only breaking even when covering its obligations. A higher ratio demonstrates financial stability because there are more current liquid assets than liabilities.

Figure 7 shows the large disparity between RMHS and other CCBs. All other benchmark CCBs have a cash flow liquidity ratio greater than 1:1. Therefore, these CCBs are operating with some working capital and are able to cover their obligations.
**Debt Ratio**—Due to RMHS’s unstable cash flow issues, we looked at its total liabilities, net assets, and total expenditures to determine how the organization’s deficiencies in cash flows impacted borrowing and spending behavior. The debt ratio illustrates an organization’s borrowing patterns. We used the following formula to calculate RMHS’s debt ratio:

\[
\frac{\text{Average Total Debt}}{\text{Average Total Unrestricted Net Assets}}
\]

As shown in Figure 8, RMHS’s debt ratio was relatively steady until it drastically increased in 2014 to over 7.5:1. In general, a nonprofit organization should have a low debt ratio; less than 1:1 is ideal. A high debt ratio is suggestive of liquidity problems and may be perceived as a risk by creditors.

**Net Temporarily Restricted Asset Ratio**—The net temporarily restricted asset ratio indicates whether a nonprofit organization is borrowing against future assets, which are reserves set aside for specific purposes.\(^{31}\) We used the following formula to calculate this ratio:

\[^{31}\text{An example of a temporarily restricted asset could be a donation that can only be drawn during a period in the future prescribed by the donor.}\]
Temporary Restricted Net Assets + Deferred Revenues + Cash + Cash Equivalents (End of Year)

As depicted in Figure 9, RMHS’s net temporarily restricted asset ratio remained constant until 2012 and soared to over 2.5:1 in 2014. A ratio of more than 1:1 indicates that an organization is borrowing from the future, which is undesirable. The ideal ratio is less than 1:1. RMHS’s ratio indicates that the nonprofit may be spending cash for purposes other than those intended by the donor, or using monies designated for future purposes to satisfy current expenses.

Management Expense Ratio—The management expense ratio shows the percentage of an organization’s total expenses that are allocated to its administrative costs. To calculate this ratio we used the following formula:

\[
\text{Management Expense Ratio} = \frac{\text{General and Administrative Expenses}}{\text{Total Expenses}}
\]

According to Figure 10, RMHS’s management expense ratio has been increasing from 2009 to 2014. RMHS considers general and administrative expenses to be those activities necessary for planning, coordination, and overall direction of the organization.
To better capture RMHS’s spending practices, we also compared general and administrative expenses found on the Statement of Activities to cash and cash equivalents (end of year) found on the Statement of Cash Flows. Figure 11 shows that as cash and cash equivalents, such as bonds and certificates of deposit, decreased, general and administrative expenses continued to rise steadily. This indicates that RMHS did not curtail spending in response to diminishing cash flows.

Current RMHS management is in the process of correcting the organization’s poor financial condition. While these efforts may improve RMHS’s financial situation, impending changes to federal Medicaid waiver rules may reduce its future mill levy allocations.

New State and Federal Rules Could Impact RMHS’s Ability To Receive Mill Levy Funding

On March 17, 2014, the federal Centers for Medicare and Medicaid Services (CMS) implemented two new rules—CMS 2249-F and CMS 2296-F (rules)—to ensure that all intellectually and developmentally disabled individuals who receive support from the Medicaid Home and Community Based Services (HCBS) waivers have free choice in all aspects of their care. Once these rules are put into effect in Colorado, the current CCB structure will change dramatically and the City will not be able to steward mill levy funds to Denver residents only, jeopardizing the original intent of Initiative 100.

Current CCB Structure No Longer Meets Federal Requirements—Services for individuals utilizing the HCBS waivers are currently structured around two components: case management and service delivery. Case management is provided to clients by their designated CCB in their county or region. Case managers work with clients to develop an individualized plan of support. This plan must be reviewed annually to ensure that it is still meeting the needs of the individual. The execution of the individual plan occurs through the provision of services. Services are designed to promote the physical, personal, mental, and social development of an individual. Services can range from day habilitation programs to home accessibility adaptations. CCBs can either provide the service directly or coordinate services through licensed service agencies.
Colorado’s CCB structure is no longer in compliance with new rules released by CMS for two reasons. First, CCBs can no longer be responsible for both case management and direct services for the same client. According to CMS, this change addresses the inherent conflict of interest that arises when the same entity provides these two primary components of service. For example, a case manager may be motivated by external factors to provide too much or too little of a service, rather than only taking into account what is best for the client. Second, individuals receiving services will be able to seek out a case manager of their choice, rather than utilizing the required case manager at their designated CCB. This reflects CMS’s intent to ensure person-centered planning devoid of geographic restrictions, giving individuals with intellectual and developmental disabilities the opportunity to access services purely based on their individual goals.

State Considering New Case Management and Service Delivery Structures—In order to implement the required system changes, HCPF formed a task group. Individuals from a variety of backgrounds, including individuals with intellectual and developmental disabilities, CCBs, and advocacy organizations, held six meetings in 2014 prior to publishing a report on October 31, 2014. The report proposed two structures that would be in compliance with the new CMS rules.

As illustrated in Figure 12, the first structure proposed by the task group calls for a complete separation of case management and direct services. In this illustration, a CCB is considered an agency and must make a clear decision to provide either case management or direct services. The CCB would then theoretically split in half, becoming two completely autonomous agencies.

**Figure 12: First Proposed Structure**

Source: Task Group on Conflict Free Case Management
The second option proposed by the task group would allow a CCB to provide both case management and direct services, but not both components to the same individual. The CCB would theoretically lose half of its client base to another CCB or agency providing the other primary component, either case management or direct services.

The two options proposed in the task group’s report are not the final proposals for the state-wide structural change to intellectual and developmental disability services, and HCPF will continue to work with impacted individuals and entities, such as CCBs, to determine the best structure to bring Colorado into compliance with CMS rules. Through the passage of Colorado House Bill 15-1318, which was signed into law on June 6, 2015, Colorado must finalize an implementation plan by July 1, 2016.32 HCPF will hold public meetings during the spring of 2016 to gather public input.

**New Federal Rules Will Prevent RMHS from Serving Denver Residents Only**—Due to these impending structural changes, the City should study the impact of the new CMS rules on the original intent of Denver voters in 2003. Initiative 100 named RMHS—then Denver Options, Inc.—to provide services and supports for Denver residents with intellectual and developmental disabilities as Denver County’s designated CCB. Once the new changes take effect, RMHS will likely be unable to simultaneously meet the City’s requirement to utilize funds for Denver residents only while being in compliance with the CMS rules to bifurcate case management and service delivery.

The following two scenarios illustrate the need for the City to study and likely change the way it funds services for intellectually and developmentally disabled individuals in Denver:

- **First,** the original intent of Denver’s CCB was to provide both case management and direct services for Denver residents. RMHS will now have to choose to focus on only one service component. Therefore, funding should not go in its entirety to RMHS, as the organization will be providing only half of the services it currently provides.

- **Second,** Denver residents will no longer be required to receive case management from RMHS. They can receive case management wherever they choose, as the geographic boundaries of the CCB structure will no longer be in compliance with CMS rules. Further, if RMHS chooses to focus solely on case management, it can provide that service to any eligible individual in Colorado. Therefore, mill levy funding for case management for Denver residents should not be given to one specific entity; doing so would almost certainly ensure that mill levy funds would be linked to non-Denver residents.

Upon the release of the implementation plan on July 1, 2016, RMHS will have to make important organizational decisions for itself and the clients it currently serves. The City will then have to weigh the intent of the voters in 2003 against RMHS’s future organizational structure to determine how to best spend taxpayer funds, anticipated to be $14,551,414 for 2016.

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32 See §25.5-6-409.3, C.R.S.
Appendix A: Initiative 100

The initiative was put on the ballot for the May 6, 2003 election. It passed by 68.57 percent and effectively increased the then 0.140 mill levy in place at the time to 1.000 mill. Following is the language that appeared on the ballot:

Shall Denver's taxes be increased by approximately $6,497,300 annually, to provide services and support for children and adults of Denver with mental retardation or related developmental disabilities, by increasing the existing property taxes dedicated to such assistance through Denver Options, Inc., the current Community-Centered Board for the City and County of Denver by an additional 0.860 mill upon all taxable property, real, personal, and mixed, within the City and County of Denver, Denver, to be spent as a voter-approved revenue change and an exception to the limits which would otherwise apply, and shall the revenues from such additional mill levy be collected and spent by the district without regard to any expenditure, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other law?
Appendix B: Rocky Mountain Human Services Contract

AGREEMENT

THIS AGREEMENT is made between the CITY AND COUNTY OF DENVER, a municipal corporation organized and existing by virtue of Article XX of the Constitution of the State of Colorado, (hereinafter, the "City"), and DENVER OPTIONS, INC., a not-for-profit corporation licensed and authorized to do business in the State of Colorado, whose address is 9900 East Iliff Avenue, Denver, Colorado 80231 (hereinafter, the "Contractor"), collectively "the Parties".

RECITALS:

1. Subject to annual appropriations by the Colorado General Assembly, the Colorado Department of Human Services, pursuant to Colo. Rev. Stat. §§ 27-10.5-101, et seq., provides funds to community centered boards for persons with developmental disabilities who have been determined to be eligible for such services and supports.

2. The Contractor has been previously designated by the Division for Developmental Disabilities of the Colorado Department of Human Services as the Community Centered Board ("CCB") for the Denver service area and has received state funds under an agreement with the State of Colorado (the "Contractor's State Contract") to provide services for State fiscal year 2012-2013 to the developmentally disabled in the Denver service area.

3. Pursuant to Colo. Rev. Stat. §27-10.5-104(6) and (7)(a), five percent of state funding for the care and treatment of the developmentally disabled shall be derived from local funding which may include funds obtained from a mill levy assessed for the purpose of providing funds for services for developmentally disabled persons.

4. Colo. Rev Stat. §27-10.5-104(6) provides that boards of county commissioners may levy up to a total of one (1) mill in property taxes to purchase services and support for the CCB program.

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

"SHALL DENVER'S TAXES BE INCREASED BY APPROXIMATELY $6,497,300 ANNUALLY, TO PROVIDE SERVICES AND SUPPORT FOR CHILDREN AND ADULTS OF DENVER WITH MENTAL RETARDATION OR RELATED DEVELOPMENTAL DISABILITIES, BY INCREASING THE EXISTING PROPERTY TAXES DEDICATED TO SUCH ASSISTANCE THROUGH DENVER OPTIONS, INC., THE CURRENT COMMUNITY-CENTERED BOARD FOR THE CITY AND COUNTY OF DENVER BY AN ADDITIONAL 0.860 MILL UPON ALL TAXABLE PROPERTY, REAL, PERSONAL, AND MIXED, WITHIN THE CITY AND COUNTY OF DENVER,
DENVER, TO BE SPENT AS A VOTER-APPROVED REVENUE CHANGE AND AN EXCEPTION TO THE LIMITS WHICH WOULD OTHERWISE APPLY, AND SHALL THE REVENUES FROM SUCH ADDITIONAL MILL LEVY BE COLLECTED AND SPENT BY THE DISTRICT WITHOUT REGARD TO ANY EXPENDITURE, REVENUE-RAISING, OR OTHER LIMITATION CONTAINED WITHIN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION OR ANY OTHER LAW?.

6. The City now desires to provide the dedicated mill levy tax revenues authorized by Initiative 100 to the Contractor to effectuate the purposes of Initiative 100 by providing or causing to be provided services to the developmentally disabled as described in more detail in Exhibit A.

7. The Contractor represents and warrants that it has conducted a public hearing on its proposed 2013 budget, which budget is contained in Exhibit A, and is ready, willing and able to undertake such services as an independent contractor.

NOW THEREFORE, the parties agree as follows:

1. CITY LIAISON:

A. The Contractor shall fully report all services hereunder to the City, including the Denver Department of Human Services or as otherwise directed by the City.

B. The City’s Manager of Human Services (“Manager”) or the Manager’s designee is the City’s representative under this Agreement to whom contractual services performed under this Agreement shall be reported.

2. SERVICES TO BE PROVIDED:

A. During the term of this Agreement, the Contractor shall diligently undertake, perform, and provide the services, tasks, deliverables, and activities, necessary to effectuate the purposes of Initiative 100 and the services described in the Contractor’s scope of services a copy of which is attached hereto and incorporated herein by reference marked as Exhibit A. In the event of any conflict between the terms and conditions contained herein and those of Exhibit A such that the full effect cannot be given to both or all provisions, then the terms and conditions contained herein shall control.

B. The services described in Exhibit A will be provided by the Contractor, approved service agencies, or other subcontractors designated by the Contractor. The services provided by the Contractor under this Agreement, including its selection of, agreements with, and monitoring of approved provider agencies and other subcontractors, shall be subject to and performed in accordance with the Contractor’s contract or contracts with the Division for Developmental Disabilities of the Colorado Department of Human Services, with applicable Colorado statutes and rules and
regulations, including but not limited to Colo. Rev. Stat. §27-10.5-101, et seq., and 2 C.C.R. 503-1, and with any and all applicable City requirements.

C. The parties may, in order to effectuate the purposes of Initiative 100, modify Exhibit A to increase, decrease, or revise the services contained therein. The parties shall memorialize in writing any and all modifications to Exhibit A by revising and restating said Exhibit including the date upon which the modified Exhibit will take effect. Any modification to Exhibit A shall not take effect unless and until it is approved in writing by both parties, approved as to form by the City Attorney’s office, and filed by the Agency with the City Clerk.

D. The Contractor shall faithfully perform the services in accordance with the standards of care, skill, training, diligence, and judgment provided by highly competent individuals performing services of a similar nature to those described in the Agreement and in accordance with the terms of the Agreement.

E. Construction is not contemplated as a part of the agreed Scope of Work. Services and other items identified in section 5.D., will be provided in the City and County of Denver. Contractor’s reports will identify the place of performance or delivery including: Street Address, City, County, State, Country, Zip Code+4.

3. TERM: The initial term of this Agreement will commence on January 1, 2013, and terminate on December 31, 2013 (the “Initial Term”), subject to unilateral options in the City to renew for four (4) additional one (1) year periods ending December 31 (if all four renewal options are exercised). The First Renewal Term will be from January 1, 2014, until December 31, 2014; the Second Renewal Term will be from January 1, 2015, until December 31, 2015; the Third Renewal Term will be from January 1, 2016, until December 31, 2016; and the Fourth Renewal Term will be from January 1, 2017, until December 31, 2017. Each renewal option will be exercised by the action of the city council in appropriating funds for the distribution of revenues generated from Initiative 100 mill levy tax in the event that any such appropriation for this Agreement is not made for a future fiscal year, the City will be deemed to have thereby failed to exercise its option to renew this Agreement for any additional renewal period and this Agreement will expire at the end of the then current term.

4. CONTRACTOR’S RESPONSIBILITIES: In addition to any and all obligations required by law or stated elsewhere in this Agreement or in any attachments hereto, the Contractor shall:

A. As reasonably requested by the Manager or the Manager’s designated representative, report timely to the Manager concerning the provision of services hereunder and attend and participate in meetings as reasonably requested by the Manager or the Manager’s designated representative;

B. Utilize individuals who have adequate skills and experience for their respective functions in providing the services under this Agreement;
C. Permit the City to carry out reasonable monitoring and evaluation activities in order to review any of the procedures used by the Contractor in doing the work under this Agreement and to make available for inspection any and all non-confidential notes and other documents used in performing the work. The Contractor shall require by contract the cooperation of its employees, agents, board members, service agencies, and subcontractors in such monitoring and evaluation efforts;

D. Establish and maintain record keeping policies in accordance with the requirements established by applicable state law or as reasonably required by the City, including the City Auditor, concerning the provision of services and expenditure of funds provided under this Agreement including but not limited to establishing and maintaining financial and performance records with respect to all matters covered by this Agreement in sufficient detail and in a manner sufficient to conform to generally accepted accounting principles so as to allow audit of the expenditure of City funds received by the Contractor. The Contractor shall retain such financial and performance records for a period of six (6) years from the date of final payment to Contractor under this Agreement.

E. Notify the Manager promptly in writing if, during the term of this Agreement, the Contractor loses its designation as the CCB for the Denver service area or if any action or proceeding of any nature is commenced concerning the revocation of the Contractor’s state certification as a CCB for the Denver service area.

F. Convene and maintain an advisory committee that will meet at least twice annually at a time and location determined by Denver Options’ Board of Directors. The purpose of the advisory committee was established by Denver Options’ Board of Directors, to have a forum in which advisory committee members can provide advice to Denver Options’ Management and Board of Directors. Denver Options’ Board of Directors is responsible for establishing the official charge of responsibilities to the committee and determining the criteria that will be used to select advisory committee members. Denver Options’ Board of Directors will generally base its decisions on each candidate’s professional or personal knowledge of services for children and/or adults with developmental disabilities, or based on a candidate’s keen awareness of the needs of the Denver community. The Denver Options Board will determine the size of the committee, its composition, and terms for each advisory committee member. Each committee member must be approved by consent of Denver Options’ Board of Directors, based on a majority vote of the Board. The advisory committee will be convened for the primary purpose of receiving a briefing on the progress and direction of services that are supported by mill levy funds. Advisory committee members will have an opportunity to provide feedback on current or proposed areas of mill levy expenditures consistent with the Yes on 100 campaign pledges that led to the passage of initiative 100 on May 6, 2003. Advice and feedback from advisory committee members will be given consideration by Denver Options’ Management and Board of Directors during its annual planning process.
G. Faith-based organizations. The Contractor in providing services under this Agreement and its service providers and subcontractors providing services under this Agreement or in expending any distributions derived from the Initiative 100 mill levy tax, shall not use revenues derived from the Initiative 100 mill levy tax to engage in inherently religious activities, such as worship, religious education or instruction, or proselytization. If the Contractor or any service provider or subcontractor providing services under this Agreement engages in such inherently religious activities, the inherently religious activities must be offered separately, in time and location, from the programs, activities, or services supported by the Initiative 100 tax, unless offering such inherently religious activities in a separate place would not be practicable due to the physical limitations of the facility in which the services under this agreement are held. **Nothing in this Agreement shall be construed to affect a provider’s or subcontractor’s right to engage in privately funded, inherently religious activity or affect the independence of entity or person, including any rights protected by the Colorado and U.S. Constitutions and applicable law.**

5. COMPENSATION AND PAYMENT:

A. Maximum Obligation of the City. The City shall have no obligation under this Agreement to make distributions to the Contractor that exceed the amount appropriated each year by the city council of the City for the purposes of this Agreement and paid into the Treasury of the City. The Manager shall request an appropriation for the purposes of this Agreement each year, based upon the estimated receipts of the Initiative 100 mill levy tax. Further, the Manager may request a supplemental appropriation during the initial term of this Agreement or any renewal term, based upon the revised estimates of receipts of the Initiative 100 mill levy tax. Commencing with 2012 property taxes collected in 2013 and continuing for any renewal term of this Agreement, the City shall include within the estimated receipts, requested appropriations, and distributions to the Contractor, any revenue derived from the imposition of the Initiative 100 mill levy tax (calling for one full mill to be assessed for developmental disabilities services as adjusted for abatements and refunds) upon the incremental value of taxable property located within any urban renewal area in the City, notwithstanding any provision of section 31-25-107 (9)(a)(I), C.R.S. to the contrary.

B. Reimbursement. Contractor will be reimbursed upon receipt and approval of Contractor’s Monthly Expenditure Reports, as described in this subparagraph, and based upon estimated mill levy revenues dedicated for Initiative 100, to the extent the same have, in fact, been appropriated, paid into the Treasury and encumbered as described in herein. Reimbursements shall be processed in the amount of the monthly expenditure reports as described in section 5D. Total reimbursements for each annual term shall not exceed the revenue generated from Initiative 100 for such respective term. At the end of each city fiscal year, expenditure reports for the months of November and December shall be estimated as required by the Manager. Final expenditure reports, including any and all reconciliations between estimated and actual expenditures, for these months shall be submitted no later than January 31 of the
following calendar year. The Contractor will expend funds provided under this Agreement to provide the services stated on Exhibit A.

C. **Budget "Carry Forward"**. In the event that funds received by the Contractor under this Agreement during a particular month are not expended, such unused amount may be carried forward by the Contractor and used for administrative or programmatic expenditures in a subsequent month or months, subject to the other limitations set forth in this Agreement. If the City exercises its option to renew the Initial Term, or any Renewal Term, then any unused amounts may also be carried forward by the Contractor for administrative and programmatic expenditures in a subsequent renewal term. At such time, if ever, that the unexpended funds of the Contractor, as evidenced by the Monthly Expenditure Report(s) referenced in section 5. D., exceed by 100% the anticipated expenditures of the Contractor in any ensuing month, the City may (following consultation with the Contractor) reduce the appropriation for said ensuing month accordingly. Furthermore, if at such time, if ever, the Contractor holds unexpended funds from the Initiative 100 mill levy tax and there are no subsequent periods permitted by this Agreement, to continue services, then the Contractor will return such funds to the City upon ninety (90) days written notice from the Manager.

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

Each Expenditure Report shall be supported with official documentation evidencing, in detail, the nature and propriety of the charges including time sheets, payrolls, receipts and any other document which may be pertinent in light of the nature of services to be performed under this Agreement and showing that services were performed within the period for which the payment is requested. Such official supporting documentation shall be maintained by Contractor at its offices listed on page one of this Agreement. Contractor shall provide the City with copies of any and all documentation supporting its Expenditure Reports upon request.
The City reserves the right to reduce, suspend, or withhold funds under this Agreement whenever it determines that Contractor's current spending is inconsistent with the categories, and purposes, listed on Exhibit A, that services and supports have not been provided in accordance with Initiative 100, this Agreement, or applicable laws, or if any reports required under this Agreement are not provided by Contractor on a timely basis.

E. Reconciliation. There shall be, on or before six months after final payment to the Contractor for services provided during the Initial Term, or any renewal term, if exercised, a final adjustment of mill levy funds to reflect the difference, if any, between the total disbursements to the Contractor under this Agreement and the total amount of mill levy funds actually collected by the City to provide services for persons with disabilities, including Initiative 100 collections. If the total payments to the Contractor under this Agreement are greater than the total amount of mill levy funds collected by the City for purposes of Initiative 100, then the Contractor shall reimburse said amount to the City upon thirty (30) days written notice from the Manager. If the total amount of mill levy funds collected by the City for Initiative 100 for the Initial Term or any Renewal Term is greater than the total amount of payments made to the Contractor under this Agreement in said term and if the Contractor has actually incurred costs and expenses that have not been reimbursed by the City in said term, then the City shall reimburse the Contractor for such costs and expenses within ninety (90) days of Contractor's written notice to the Manager detailing the additional unreimbursed costs and expenses.

F. Appropriation Required. Funding for this Agreement is derived entirely and exclusively from mill levy revenues designated for purposes of providing funds for services for developmentally disabled persons. Therefore, the City's payment obligation, whether direct or contingent, under this Agreement extends only to funds raised pursuant to lawfully dedicated mill levy revenues, appropriated annually by the Denver City Council paid into the Treasury of the City, and encumbered for the purpose of this Agreement. The City does not by this Agreement irrevocably pledge present cash reserves for payments in future fiscal years. The Agreement does not and is not intended to create a multiple-fiscal year direct or indirect debt or financial obligation of the City.

G. Future Funding: Except to the extent provided for the renewal terms expressly stated above, this Agreement provides for the distribution of mill levy revenues actually collected by the City during the initial term and any renewal term only and does not obligate the City to provide funds to the Contractor or any other CCB for any other year. The Contractor shall conduct a public hearing presenting a general overview of the progress of service delivery based on the use of mill levy funding, and presenting proposed areas of expenditures, and for the purpose of receiving feedback and recommendations from citizens of the City and County of Denver, which may be factored in to the planning and budget preparation before submitting a future budget request to the Denver Department of Human Services.

6. REPORTS/CORRESPONDENCE:
A. **Quarterly and Annual Progress Reports.** The Contractor shall submit quarterly progress reports in the first and third quarters of the year and one cumulative semi-annual report for the first and second quarters of the year and one annual contract at the end of the fourth quarter of the year in a form approved by the Manager describing in detail all services provided under this Agreement including but not limited to the total number of persons receiving services under this Agreement, types of services and supports provided, the costs of services and supports regardless of funding source, and include in the annual report an evaluation of the quality of the services and supports rendered, and an evaluation of the effectiveness of the services and supports rendered in implementing any and all individualized plans of persons receiving services, the numbers, types, and resolution of disputes between the Contractor and recipients of services under this Agreement; the total number of persons determined to be eligible to receive services and supports who the Contractor has determined are not receiving services or supports under this Agreement or under any other authorized program along with an analysis of the reasons why they are not receiving services and supports; and any other information reasonably requested by the Manager concerning the provision of services under this Agreement. Each report shall be delivered to the Manager within forty-five (45) days after the end of each period.

B. **Additional Reports.** During the Initial Term of this Agreement or any Renewal Term, the Contractor shall also prepare and deliver on dates mutually agreed upon by the parties written reports and presentations to the City Council describing all of its programs and operations as the CCB for the City and County of Denver, program costs and expenditures, and community outreach efforts.

C. **Correspondence.** All Reports, and other written correspondence concerning procedural or administrative contract matters, other than notices required under Article 20 of this Agreement, will be delivered electronically to DHS_Contracting_Services@denvergov.org or by U.S. mail to:

- **Attn:** Contracting Services  
  Denver Department of Human Services  
  1200 Federal Boulevard, 4th Floor  
  Denver, Colorado 80204

Invoices shall be delivered electronically to DHS_Contractor_Invoices@denvergov.org or by U.S Mail to:

- **Attn:** Financial Services  
  Denver Department of Human Services  
  1200 Federal Boulevard  
  Denver, Colorado 80204.

7. **STATUS OF CONSULTANT:** The Contractor is an independent contractor retained to perform professional or technical services for limited periods of time. Neither the Contractor nor any of its employees are employees or officers of the City under
Chapter 18 of the Denver Revised Municipal Code, or for any purpose whatsoever. Contractor is a corporation and as such is responsible for the operational management, errors and omissions of its employees.

8. **TERMINATION OF AGREEMENT:**

   A. The City may immediately terminate this Agreement if the Contractor’s state certification as a CCB for the Denver service area is suspended or revoked for any reason.

   B. The City may further terminate this Agreement for cause if the Contractor’s services are not being satisfactorily performed in accordance with this Agreement or are not effectuating the purposes of Initiative 100. Prior to termination of this Agreement by the City for cause, the City shall notify the Contractor in writing of its intent to terminate the Agreement for cause, identify the deficiencies in the Contractor’s performance giving rise to such intent, and shall give the Contractor ninety (90) days to cure such deficiencies before the City may terminate this Agreement for cause.

   C. Notwithstanding the preceding provisions, the City may by written Notice of Default to Contractor immediately terminate the whole or part of this Agreement in the event Contractor or any of its officers or employees are convicted, plead nolo contendere, enter into a formal agreement in which they admit guilt, enter a plea of guilty or otherwise admit culpability to criminal offenses of bribery, kick backs, collusive bidding, bid-rigging, antitrust, fraud, undue influence, theft, racketeering, extortion or any offense of a similar nature in connection with Contractor’s business. Termination for the reasons stated in this paragraph is effective upon receipt of notice.

   D. Upon termination of the Agreement, for any reason, the Contractor shall have no claim against the City by reason of, or arising out of, incidental or relating to termination, except for compensation for work duly requested and satisfactorily performed as described in the Agreement.

9. **EXAMINATION OF RECORDS:**

   A. Any authorized agent of the City, including the City Auditor or his or her representative, has the right to access and the right to examine any directly pertinent books, bank statements, records, returns, cost accounting records, files, and any other records or documents (whether prepared or maintained in hardcopy or electronic format) (the "Contractor’s Records") prepared or maintained by the Contractor involving matters or transactions in any way, directly or indirectly, related to this Agreement except those matters required to be kept confidential by law. Further, the City Auditor shall have the right at any time, and from time to time, to audit Contractor’s Records and the Contractor, upon request, shall make all such matters available for such examination. If Contractor’s Records exist in electronic form, the Contractor shall maintain a means of transferring said records to hardcopy form. Such right of access
and examination shall continue until the latter of six (6) years after the final payment under this Agreement or expiration of the applicable statute of limitations.

B. In addition, the Contractor shall permit public inspection of records involving the services and supports provided under this Agreement or the expenditure of tax monies received from the City in accordance with the procedures set forth in §§24-72-203 and 24-72-205 of the Colorado Open Records Act, C.R.S. §24-72-201, et seq., provided that the Contractor shall not be required to permit such public inspection of records to the extent that such public inspection is prohibited by the provisions of C.R.S. §§27-10.5-101 to 137, by Rules and Regulations promulgated by the Colorado Department of Human Services, by the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and by requirements set forth by the Centers for Medicare and Medicaid Services.

C. In accordance with 2 C.C.R. 16.243B, the Contractor shall prepare and submit to the Colorado Department of Human Services financial reports including but not limited to an annual financial statement, and pursuant to 2 C.C.R. 16.244, the Contractor shall cause an annual audit of its operations to be prepared in accordance with generally accepted accounting principles. The Contractor shall provide a copy of its annual audit to the Manager within thirty (30) days of the date of the Manager’s written request. If the Contractor instead chooses to conduct, through an independent auditor, an audit of its operations under this Agreement separate and apart from the audit required under the Contractor’s State Contract, then the Contractor shall provide to the Manager a copy of such other audit for all services provided under this Agreement. Final financial settlement under this Agreement shall be contingent upon receipt and acceptance of Contractor’s audit and the audits of Contractor’s services agencies.

D. Unless exempted from the independent audit requirement by the Contractor and the Colorado Department of Human Services pursuant to 2 C.C.R. 16.244, the Contractor shall submit to the Manager copies of annual audits for any and all services agencies providing service under this Agreement within thirty (30) days of the date of the Manager’s written request for such copies if and when said audits are available. The Contractor may bill to the City for its pro rata share of audit costs under general and management administrative costs; provided, however, that any costs outside the scope of normal audit costs, as reasonably determined by the Manager, will be the sole responsibility of the Contractor.

E. If, as a result of any audit relating to the fiscal performance of Contractor, the City receives notice of any irregularities or deficiencies in said audits, then the City shall notify the Contractor of such irregularities or deficiencies. The Contractor shall correct all identified irregularities or deficiencies within the time frames designated in the City’s written notice. If the identified irregularities or deficiencies cannot be corrected by the date designated by the City, then Contractor shall so notify the City in writing and shall identify a date that Contractor expects to correct the irregularities or deficiencies; provided, however, that the irregularities or deficiencies shall be corrected no later than ninety (90) days from the date of the City’s notice.
10. **PROCUREMENT:** The Contractor shall spend funds provided under this Agreement in a way that serves the public interest, honors the public trust, and is consistent with Exhibit A. "Supplies" means all tangible personal property other than Equipment as defined below. "Equipment" means tangible personal property having a useful life of more than one year and an acquisition cost of Five Thousand Dollars ($5,000.00) or more per unit. "Controlled Assets" means tangible personal property having an acquisition cost of no less than Five Hundred Dollars ($500.00) and no more than Four Thousand Nine Hundred Ninety Nine Dollars and Ninety Nine Cents ($4,999.99) and tangible personal property that fall in the following categories: computers, laptops, scanners, facsimile machines, copiers, printers, and capital leases with a present value of no less than Two Thousand Five Hundred Dollars ($2,500.00) and no more than Four Thousand Nine Hundred Ninety Nine Dollars and Ninety Nine Cents ($4,999.99).

The Contractor shall use funds provided under this Contract solely for the purposes of effectuating the purposes of Initiative 100 as set forth in Exhibit A. If requested by the Manager or the Manager’s representative, the Contractor shall establish and submit to the Manager an inventory list, in such format as designated by the Manager and within thirty days of said request, of all real property, Equipment, and Controlled Assets purchased under this Agreement. Contractor shall update said inventory list as necessary on a timely basis. The inventory shall specify the location of all Equipment and Controlled Assets and Real Property so purchased. Upon the expiration or earlier termination of this Agreement, unless the Agreement is renewed by a written amendment hereto executed by the parties in the same manner as this Agreement, all real property, Equipment and Controlled Assets purchased with funds under this Agreement shall either be returned to the City, disposed of as the City shall direct, or passed on to any succeeding Community Centered Board if directed to do so by the City along with any supplies purchased by Contract funds.

11. **LAWSUITS:** The Contractor shall report in writing to the City within seven (7) calendar days of the date upon which any legal or governmental action or proceeding (including administrative actions or proceedings by a governmental entity) connected with or related to the services provided under this Agreement is initiated by or brought against Contractor. The Contractor shall not use funds provided under this Agreement to pay for any of its legal fees, costs, or expenses incurred as a result of such legal action or proceeding initiated by or brought against Contractor (including administrative actions or proceedings by a governmental entity).

12. **WHEN RIGHTS AND REMEDIES NOT WAIVED:** In no event will any payment or other action by the City constitute or be construed to be a waiver by the City of any breach of covenant or default that may then exist on the part of the Contractor. No payment, other action, or inaction by the City when any breach or default exists will impair or prejudice any right or remedy available to it with respect to any breach or default. No assent, expressed or implied, to any breach of any term of the Agreement constitutes a waiver of any other breach.
13. **INSURANCE AND BONDS:**

A. **General Conditions:** Contractor agrees to secure, at or before the time of execution of this Agreement, the following insurance covering all operations, goods or services provided pursuant to this Agreement. Contractor shall keep the required insurance coverage in force at all times during the term of the Agreement, or any extension thereof, during any warranty period, and for three (3) years after termination of the Agreement. The required insurance shall be underwritten by an insurer licensed or authorized to do business in Colorado and rated by A.M. Best Company as “A-” or better. Each policy shall contain a valid provision or endorsement requiring notification to the City in the event any of the required policies be canceled or non-renewed before the expiration date thereof. Such written notice shall be sent to the parties identified in the Notices section of this Agreement. Such notice shall reference the City contract number listed on the signature page of this Agreement. Said notice shall be sent thirty (30) days prior to such cancellation or non-renewal unless due to non-payment of premiums for which notice shall be sent ten (10) days prior. If such written notice is unavailable from the insurer, contractor shall provide written notice of cancellation, non-renewal and any reduction in coverage to the parties identified in the Notices section by certified mail, return receipt requested within three (3) business days of such notice by its insurer(s) and referencing the City’s contract number. If any policy is in excess of a deductible or self-insured retention, the City must be notified by the Contractor. Contractor shall be responsible for the payment of any deductible or self-insured retention. The City reserves the right to require the Contractor to provide a bond, at no cost to the City, in the amount of the deductible or self-insured retention to guarantee payment of claims. The insurance coverages specified in this Agreement are the minimum requirements, and these requirements do not lessen or limit the liability of the Contractor. The Contractor shall maintain, at its own expense, any additional kinds or amounts of insurance that it may deem necessary to cover its obligations and liabilities under this Agreement.

B. **Proof of Insurance:** Contractor shall provide a copy of this Agreement to its insurance agent or broker. Contractor may not commence services or work relating to the Agreement prior to placement of coverage. Contractor certifies that the certificate of insurance attached as Exhibit B, preferably an ACORD certificate, complies with all insurance requirements of this Agreement. The City requests that the City’s contract number be referenced on the Certificate. The City’s acceptance of a certificate of insurance or other proof of insurance that does not comply with all insurance requirements set forth in this Agreement shall not act as a waiver of Contractor's breach of this Agreement or of any of the City’s rights or remedies under this Agreement. The City’s Risk Management Office may require additional proof of insurance, including but not limited to policies and endorsements.

C. **Additional Insureds:** For Commercial General Liability, Auto Liability and Excess Liability/Umbrella, Contractor and subcontractor’s insurer(s) shall name the City and County of Denver, its elected and appointed officials, employees and volunteers as additional insured.
D. **Waiver of Subrogation:** For all coverages, Contractor's insurer shall waive subrogation rights against the City.

E. **Subcontractors and Subconsultants:** All subcontractors and subconsultants (including independent contractors, suppliers or other entities providing goods or services required by this Agreement) shall be subject to all of the requirements herein and shall procure and maintain the same coverages required of the Contractor. Contractor shall include all such subcontractors as additional insured under its policies (with the exception of Workers' Compensation) or shall ensure that all such subcontractors and subconsultants maintain the required coverages. Contractor agrees to provide proof of insurance for all such subcontractors and subconsultants upon request by the City.

F. **Workers' Compensation/Employer's Liability Insurance:** Contractor shall maintain the coverage as required by statute for each work location and shall maintain Employer's Liability insurance with limits of $100,000 per occurrence for each bodily injury claim, $100,000 per occurrence for each bodily injury caused by disease claim, and $500,000 aggregate for all bodily injuries caused by disease claims. Contractor expressly represents to the City, as a material representation upon which the City is relying in entering into this Agreement, that none of the Contractor's officers or employees who may be eligible under any statute or law to reject Workers' Compensation Insurance shall effect such rejection during any part of the term of this Agreement, and that any such rejections previously effected, have been revoked as of the date Contractor executes this Agreement.

G. **Commercial General Liability:** Contractor shall maintain a Commercial General Liability insurance policy with limits of $1,000,000 for each occurrence, $1,000,000 for each personal and advertising injury claim, $2,000,000 products and completed operations aggregate, and $2,000,000 policy aggregate.

H. **Business Automobile Liability:** Contractor shall maintain Business Automobile Liability with limits of $1,000,000 combined single limit applicable to all owned, hired and non-owned vehicles used in performing services under this Agreement.

I. **Professional Liability (Errors & Omissions):** Contractor shall maintain limits of $1,000,000 per claim and $1,000,000 policy aggregate limit. Policy shall include a severability of interest or separation of insured provision (no insured vs. insured exclusion) and a provision that coverage is primary and non-contributory with any other coverage or self-insurance maintained by the City.

J. **Additional Provisions:**

   (1) For Commercial General Liability and Excess Liability, the policies must provide the following:
(i) That this Agreement is an Insured Contract under the policy;
(ii) Defense costs are in excess of policy limits;
(iii) A severability of interests or separation of insureds provision (no insured vs. insured exclusion);
(iv) A provision that coverage is primary and non-contributory with other coverage or self-insurance maintained by the City; and
(v) No exclusion for sexual abuse, molestation or sexual misconduct.

(2) For claims-made coverage:
(i) The retroactive date must be on or before the contract date or the first date when any goods or services were provided to the City, whichever is earlier.
(ii) Contractor shall advise the City in the event any general aggregate or other aggregate limits are reduced below the required per occurrence limits. At their own expense, and where such general aggregate or other aggregate limits have been reduced below the required per occurrence limit, the Contractor will procure such per occurrence limits and furnish a new certificate of insurance showing such coverage is in force.

K. The Contractor, and all approved service agencies, shall obtain and keep in force during the term of this Agreement a fidelity bond, in form and surety acceptable to the City, made payable to the City and conditioned upon the faithful and honest utilization and handling by their respective officers, employees, and agents of all monies paid to the Contractor by the City pursuant to this Agreement in order to protect the City against any malfeasance or misfeasance with respect to the handling of such funds on the part of such persons or entities.

In addition, the Contractor and all approved service agencies shall obtain and keep in force a surety bond, or provide an irrevocable letter of credit, made payable to the City in a form acceptable to the Risk Administrator to protect the personal needs of the persons receiving services under this Agreement and in an amount not less than the amount of any surety bond provided to the State of Colorado provided to the State of Colorado pursuant to 2 CCR 16.245 (C) and (E). The bonds shall be provided to the City within sixty (60) days of the date of this Agreement.

14. DEFENSE AND INDEMNIFICATION:

A. Contractor hereby agrees to defend, indemnify, reimburse and hold harmless City, its appointed and elected officials, agents and employees for, from and against all liabilities, claims, judgments, suits or demands for damages to persons or property arising out of, resulting from, or relating to the work performed under this Agreement ("Claims"), unless such Claims have been specifically determined by the trier of fact to be the sole negligence or willful misconduct of the City. This indemnity shall be interpreted in the broadest possible manner to indemnify City for any acts or omissions of Contractor or its subcontractors either passive or active, irrespective of
fault, including City’s concurrent negligence whether active or passive, except for the sole negligence or willful misconduct of City.

B. Contractor's duty to defend and indemnify City shall arise at the time written notice of the Claim is first provided to City regardless of whether Claimant has filed suit on the Claim. Contractor’s duty to defend and indemnify City shall arise even if City is the only party sued by claimant and/or claimant alleges that City’s negligence or willful misconduct was the sole cause of claimant’s damages.

C. Contractor will defend any and all Claims which may be brought or threatened against City and will pay on behalf of City any expenses incurred by reason of such Claims including, but not limited to, court costs and attorney fees incurred in defending and investigating such Claims or seeking to enforce this indemnity obligation. Such payments on behalf of City shall be in addition to any other legal remedies available to City and shall not be considered City’s exclusive remedy.

D. Insurance coverage requirements specified in this Agreement shall in no way lessen or limit the liability of the Contractor under the terms of this indemnification obligation. The Contractor shall obtain, at its own expense, any additional insurance that it deems necessary for the City’s protection.

E. This defense and indemnification obligation shall survive the expiration or termination of this Agreement.

15. GOVERNMENTAL IMMUNITY: Notwithstanding any other provision of this Agreement to the contrary, no term of condition of this Agreement shall be construed or interpreted as a waiver of any provision of the Colorado Governmental Immunity Act, C.R.S., 24-10-101 et seq., as now or hereafter amended. It is acknowledged that any liability for claims for injuries to persons or property arising out of the negligence of the City, its departments, agencies, officials and employees, is controlled and limited by the provisions of the Colorado Governmental Immunity Act as now or hereafter amended and other applicable laws.

16. TAXES, CHARGES AND PENALTIES: The City is not liable for the payment of taxes, late charges or penalties of any nature, except for any additional amounts that the City may be required to pay under the City's prompt payment ordinance § 20-107, et seq., of the Denver Revised Municipal Code (D.R.M.C.). The Contractor shall promptly pay when due, all taxes, excises, license fees and permit fees of whatever nature applicable to its operations, and to take out and keep current all required licenses or permits, whether municipal, state or federal, required for the conduct of its business hereunder, and further agrees not to permit any of said taxes, excises or license or permit fees to become delinquent. The Contractor further agrees to furnish the City, upon request, duplicate receipts or other satisfactory evidence showing the prompt payment by Contractor of all required licenses and permits and all taxes. The Contractor further agrees to pay promptly when due all bills, debts and obligations it incurs
performing the services under the Agreement and shall not allow any lien, mortgage, judgment or execution to be filed against City property.

17. ASSIGNMENT; SUBCONTRACTING: The Contractor shall not voluntarily or involuntarily assign any of its rights or obligations, or subcontract its performance obligations, under this Agreement without obtaining the Manager’s prior written consent except as follows: subcontracts to provide direct services to persons with disabilities within the ordinary course of providing care and services will not require prior written consent of the Manager. Any assignment or unauthorized subcontracting without such consent will be ineffective and void, and shall be cause for termination of this Agreement by the City. The Manager has sole and absolute discretion whether to consent to any assignment or subcontracting, or to terminate the Agreement because of unauthorized assignment or subcontracting. In the event of any subcontracting or unauthorized assignment: (i) the Contractor shall remain responsible to the City; and (ii) no contractual relationship shall be created between the City and any sub-consultant, subcontractor or assign.

18. INUREMENT: The rights and obligations of the parties to the Agreement inure to the benefit of and shall be binding upon the parties and their respective successors and assigns, provided assignments are consented to in accordance with the terms of the Agreement.

19. NO THIRD PARTY BENEFICIARY: Enforcement of the terms of the Agreement and all rights of action relating to enforcement are strictly reserved to the parties. Nothing contained in the Agreement gives or allows any claim or right of action to any third person or entity. Any person or entity other than the City or the Contractor receiving services or benefits pursuant to the Agreement is an incidental beneficiary only.

20. NO AUTHORITY TO BIND CITY TO CONTRACTS: The Contractor lacks any authority to bind the City on any contractual matters. Final approval of all contractual matters that purport to obligate the City must be executed by the City in accordance with the City's Charter and the Denver Revised Municipal Code.

21. AGREEMENT AS COMPLETE INTEGRATION-AMENDMENTS: This Agreement is the complete integration of all understandings between the parties as to the subject matter of the Agreement. No prior or contemporaneous addition, deletion, or other amendment hereto shall have any force or effect whatsoever, unless embodied herein in writing. No subsequent novation, renewal, addition, deletion, or other amendment hereto shall have any force or effect unless embodied in a written amendatory or other Agreement properly executed by the parties. No oral representation by any officer or employee of the City at variance with the terms and conditions of this Agreement or any written amendment to this Agreement shall have any force or effect nor bind the City. Amendments to this Agreement will become effective when approved by both parties and executed in the same manner as this
Agreement. This Agreement and any amendments shall be binding upon the parties, their successors and assigns.

22. **SEVERABILITY:** Except for the provisions of the Agreement requiring appropriation of funds and limiting the total amount payable by the City, if a court of competent jurisdiction finds any provision of the Agreement or any portion of it to be invalid, illegal, or unenforceable, the validity of the remaining portions or provisions will not be affected, if the intent of the parties can be fulfilled.

23. **CONFLICT OF INTEREST:**

   A. No employee of the City shall have any personal or beneficial interest in the services or property described in the Agreement. The Contractor shall not hire, or contract for services with, any employee or officer of the City that would be in violation of the City’s Code of Ethics, D.R.M.C. §2-51, et seq. or the Charter §§ 1.2.8, 1.2.9, and 1.2.12.

   B. The Contractor shall not engage in any transaction, activity or conduct that would result in a conflict of interest under the Agreement. The Contractor represents that it has disclosed any and all current or potential conflicts of interest. A conflict of interest shall include transactions, activities or conduct that would affect the judgment, actions or work of the Contractor by placing the Contractor’s own interests, or the interests of any party with whom the Contractor has a contractual arrangement, in conflict with those of the City. The City, in its sole discretion, will determine the existence of a conflict of interest and may terminate the Agreement in the event it determines a conflict exists, after it has given the Contractor written notice describing the conflict.

24. **NOTICES:** All notices required by the terms of the Agreement must be hand delivered, sent by overnight courier service, mailed by certified mail, return receipt requested, or mailed via United States mail, postage prepaid, if to Contractor at the address first above written, and if to the City at:

   By Contractor to: Manager, Denver Department of Human Services
   City and County of Denver
   1200 Federal Boulevard
   Denver, Colorado 80204

   With a copy of any such notice to: Supervisor
   Contracting Services
   Denver Department of Human Services
   1200 Federal Boulevard
   Denver, Colorado 80204

   Notices hand delivered or sent by overnight courier are effective upon delivery. Notices sent by certified mail are effective upon receipt. Notices sent by mail are effective upon deposit with the U.S. Postal Service. The parties may designate substitute addresses
where or persons to whom notices are to be mailed or delivered. However, these substitutions will not become effective until actual receipt of written notification.

25. **DISPUTES:** All disputes of whatsoever nature between the City and Contractor regarding this Agreement shall be resolved by administrative hearings pursuant to the procedure established by Denver Revised Municipal Code 56-106(b)-(f). For the purposes of that procedure, the City official rendering a final determination shall be the City representative identified in Article 1 hereof.

26. **GOVERNING LAW, VENUE:** Each and every term, condition, or covenant herein is subject to and shall be construed in accordance with the provisions of Colorado law, any applicable federal law, the Charter of the City and County of Denver and the ordinances, regulations, and Executive Orders enacted and promulgated pursuant thereto. Such applicable laws, together with the Charter and Revised Municipal Code of the City and County of Denver, as the same may be amended from time to time, are hereby expressly incorporated into this Agreement as if fully set out herein by this reference. Venue for any action arising hereunder shall be in the City and County of Denver, Colorado.

27. **COMPLIANCE WITH APPLICABLE LAWS:** The services provided under this Agreement, whether directly as the CCB or through approved service agencies, shall be performed in compliance with all applicable Federal, State and City laws, ordinances, codes, regulations, rules, executive orders, and policies whether or not specifically referenced herein including but not limited to Colo. Rev. Stat. 27-10.5-101, et seq., and 2 C.C.R. 503-1.

28. **NO EMPLOYMENT OF ILLEGAL ALIENS TO PERFORM WORK UNDER THE AGREEMENT:**

A. This Agreement is subject to Division 5 of Article IV of Chapter 20 of the Denver Revised Municipal Code, and any amendments (the "Certification Ordinance").

B. The Contractor certifies that:

1. At the time of its execution of this Agreement, it does not knowingly employ or contract with an illegal alien who will perform work under this Agreement.

2. It will participate in the E-Verify Program, as defined in § 8-17.5-101(3.7), C.R.S., to confirm the employment eligibility of all employees who are newly hired for employment to perform work under this Agreement.

C. The Contractor also agrees and represents that:

1. It shall not knowingly employ or contract with an illegal alien to perform work under the Agreement.
(2) It shall not enter into a contract with a sub-consultant or subcontractor that fails to certify to the Contractor that it shall not knowingly employ or contract with an illegal alien to perform work under the Agreement.

(3) It has confirmed the employment eligibility of all employees who are newly hired for employment to perform work under this Agreement, through participation in the E-Verify Program.

(4) It is prohibited from using either the E-Verify Program procedures to undertake pre-employment screening of job applicants while performing its obligations under the Agreement, and that otherwise requires the Contractor to comply with any and all federal requirements related to use of the E-Verify Program including, by way of example, all program requirements related to employee notification and preservation of employee rights.

(5) If it obtains actual knowledge that a sub-consultant or subcontractor performing work under the Agreement knowingly employs or contracts with an illegal alien, it will notify such sub-consultant or subcontractor and the City within three (3) days. The Contractor will also then terminate such sub-consultant or subcontractor if within three (3) days after such notice the sub-consultant or subcontractor does not stop employing or contracting with the illegal alien, unless during such three-day period the sub-consultant or subcontractor provides information to establish that the sub-consultant or subcontractor has not knowingly employed or contracted with an illegal alien.

(6) It will comply with any reasonable request made in the course of an investigation by the Colorado Department of Labor and Employment under authority of § 8-17.5-102(5), C.R.S., or the City Auditor, under authority of D.R.M.C. 20-90.3.

D. The Contractor is liable for any violations as provided in the Certification Ordinance. If Contractor violates any provision of this section or the Certification Ordinance, the City may terminate this Agreement for a breach of the Agreement. If the Agreement is so terminated, the Contractor shall be liable for actual and consequential damages to the City. Any such termination of a contract due to a violation of this section or the Certification Ordinance may also, at the discretion of the City, constitute grounds for disqualifying Contractor from submitting bids or proposals for future contracts with the City.

29. PASS-THROUGH OF CITY OBLIGATIONS PURSUANT TO THE APPLICANT VERIFICATION STATUTE:

A. This Agreement is subject to Article 76.5 of Title 24, Colorado Revised Statutes, and any rules adopted pursuant thereto, as now existing or as amended. On the request of the Agency, the Contractor shall verify the lawful presence in the United States, of each natural person eighteen years of age or older (the “Applicant”), who
applies for Federal, State or Local Public Benefits ("Benefits") conferred pursuant to this Agreement, as such Benefits are defined in the Applicant Verification Statute. On the request of the Agency, the Contractor shall require the Applicant to produce one of the forms of identification listed in the Applicant Verification Statute, and execute an affidavit in the form attached to this Agreement as Exhibit C and incorporated here by reference. Where applicable, the Contractor shall maintain copies of each Applicant's identification documentation and affidavit, and shall make such copies available to the City upon request.

30. **NO DISCRIMINATION IN EMPLOYMENT:** In connection with the performance of work under the Agreement, the Contractor may not refuse to hire, discharge, promote or demote, or discriminate in matters of compensation against any person otherwise qualified, solely because of race, color, religion, national origin, gender, age, military status, sexual orientation, gender variance, marital status, or physical or mental disability. The Contractor shall insert the foregoing provision in all subcontracts.

31. **USE, POSSESSION OR SALE OF ALCOHOL OR DRUGS:** The Contractor shall cooperate and comply with the provisions of Executive Order 94 and its Attachment A concerning the use, possession or sale of alcohol or drugs. Violation of these provisions or refusal to cooperate with implementation of the policy can result in contract personnel being barred from City facilities and from participating in City operations.

32. **CONFIDENTIAL INFORMATION; OPEN RECORDS:**

A. **Confidential Information:** The Contractor acknowledges and accepts that, in the performance of all work under the terms of this Agreement, the Contractor will or may have access to the following types of information: (1) City Proprietary Data or confidential information that may be owned or controlled by the City ("City Proprietary Data"); (2) confidential information pertaining to persons receiving services from the Department ("Client Data"), or (3) confidential proprietary information owned by third parties ("Third Party Proprietary Data"). For purposes of this Agreement, City Proprietary Data, Client Data, and Third Party Proprietary Data shall be referred to collectively as "Confidential Information." The Contractor agrees that all Confidential Information provided or otherwise disclosed by the City to the Contractor or as otherwise acquired by the Contractor during its performance under this Agreement shall be held in confidence and used only in the performance of its obligations under this Agreement. The Contractor shall limit access to any and all Confidential Information to only those employees who have a need to know such information in order to provide services under this Agreement. The Contractor shall exercise the same standard of care to protect any and all Confidential Information as a reasonably prudent contractor or Contractor would to protect its own proprietary or confidential data. Contractor acknowledges that Confidential Information may be in hardcopy, printed, digital or electronic format. The City reserves the right to restrict at any time Contractor's access
to electronic Confidential Information to “read-only” access or “limited” access as such terms are designated by the Manager.

B. The Contractor agrees to comply with all applicable state and federal laws protecting the privacy or confidentiality of any and all Client Data that include protected medical records or protected information. The Contractor shall establish and submit to the City, within fifteen (15) days of the City’s written request thereof, copies of Contractor’s policies and procedures to maintain the confidentiality of any protected medical records or protected information to which the Contractor has access. In the event that the Contractor is required to access Client Data, that include protected medical records, from a third party provider or is required to provide Client Data, including protected medical records, to the City for purposes of monitoring and evaluating the Contractor’s performance under this Agreement, then the Contractor agrees to fully coordinate with the DPS case managers and the client in order to obtain any necessary consent forms, authorization forms, or release forms.

1. **Use of Confidential Information**: Except as expressly provided by the terms of this Agreement, the Contractor agrees that it shall not disseminate, transmit, license, sublicense, assign, lease, release, publish, post on the internet, transfer, sell, permit access to, distribute, allow interactive rights to, or otherwise make available any Confidential Information or any part thereof to any other person, party or entity in any form or media for any purpose other than performing its obligations under this Agreement. The Contractor further acknowledges that by providing access to Confidential Information, the City is not granting to the Contractor any right or license to use such data except as provided in this Agreement. The Contractor further agrees not to reveal, publish, disclose, or distribute to any other party, in whole or in part, in any way whatsoever, any Confidential Information without prior written authorization from the Manager.

2. The Contractor agrees that any ideas, concepts, know-how, computer programs, or data processing techniques developed by the Contractor or provided by the City in connection with this Agreement shall be deemed to be the sole property of the City and all rights, including copyright, shall be reserved to the City. The Contractor agrees, with respect to Confidential Information, that: (a) the Contractor shall not copy, recreate, reverse, engineer or decompile such data, in whole or in part, unless authorized in writing by the Manager; (b) the Contractor shall retain no copies, recreations, compilations, or decompilations, in whole or in part, of such data; (c) the Contractor shall, upon the expiration or earlier termination of the Agreement, destroy (and, in writing, certify destruction) or return all such data or work products incorporating such data or information to the City.

3. **Employees and Subcontractors**: The requirements of this provision shall be binding on the Contractor’s employees, agents, officers and assigns. The Contractor warrants that all of its employees, agents, and officers who designated to provide services under this Agreement will be advised of this provision. All requirements and obligations of the Contractor under this Agreement shall survive the expiration or earlier termination of this Agreement.
4. **Disclaimer:** Notwithstanding any other provision of this Agreement, the City is furnishing Confidential Information on an “as is” basis, without any support whatsoever, and without representation, warranty or guarantee, including, but not in any manner limited to, fitness, merchantability, accuracy and completeness of the Confidential Information. The Contractor acknowledges and understands that Confidential Information may not be completely free of errors. The City assumes no liability for any errors or omissions in any Confidential Information. Specifically, the City is not responsible for any costs including, but not limited to, those incurred as a result of lost revenues, loss of use of data, the costs of recovering such programs or data, the cost of any substitute program, claims by third parties, or for similar costs. If discrepancies are found, the Contractor agrees to contact the City immediately.

C. **Open Records:** The parties understand that all the material provided or produced under this Agreement may be subject to the Colorado Open Records Act, § 24-72-201, et seq., C.R.S. (2012), and that in the event of a request to the City for disclosure of such information, the City shall advise the Contractor of such request in order to give the Contractor the opportunity to object to the disclosure of any of its proprietary or confidential material. In the event of the filing of a lawsuit to compel such disclosure, the City will tender all such material to the court for judicial determination of the issue of disclosure and the Contractor agrees to intervene in such lawsuit to protect and assert its claims of privilege and against disclosure of such material or waive the same. The Contractor further agrees to defend, indemnify and save and hold harmless the City, its officers, agents and employees, from any claims, damages, expenses, losses or costs arising out of the Contractor’s intervention to protect and assert its claim of privilege against disclosure under this Article including, but not limited to, prompt reimbursement to the City of all reasonable attorney fees, costs and damages that the City may incur directly or may be ordered to pay by such court.

33. **Intellectual Property Rights:** The City and Contractor intend that all property rights to any and all materials, text, logos, documents, booklets, manuals, references, guides, brochures, advertisements, music, sketches, drawings, photographs, specifications, software, data, products, ideas, inventions, and any other work or recorded information created by the Contractor and paid for by the City pursuant to this Agreement, in preliminary and final forms and on any media whatsoever (collectively, "Materials"), shall belong to the City. The Materials are a "work made for hire," and all ownership of copyright in the Materials shall vest in the City at the time the Materials are created. To the extent that the Materials are not a "work made for hire," the Contractor hereby sells, assigns and transfers all right, title and interest in and to the Materials to the City, including the right to secure copyright, patent, trademark, and other intellectual property rights throughout the world and to have and to hold such copyright, patent, trademark, and other intellectual property rights in perpetuity.

34. **Legal Authority:**
A. The Contractor assures and guarantees that it possesses the legal authority, pursuant to any proper, appropriate and official motion, resolution or action passed or taken, to enter into this Agreement.

B. The person or persons signing and executing this Agreement on behalf of the Contractor, do hereby warrant and guarantee that he/she or they have been fully authorized by the Contractor to execute this Agreement on behalf of the Contractor and to validly and legally bind the Contractor to all the terms, performances and provisions herein set forth.

35. **NO CONSTRUCTION AGAINST DRAFTING PARTY:** Each of the Parties acknowledge that each of them and their respective counsel have had the opportunity to review this Agreement and that this Agreement shall not be construed against any Party merely because this Agreement or any of its provisions, have been prepared by a particular Party.

36. **SURVIVAL OF CERTAIN AGREEMENT PROVISIONS:** The parties understand and agree that all terms, conditions and covenants of this Agreement, together with the exhibits and attachments hereto, if any, any or all of which, by reasonable implication, contemplate continued performance or compliance beyond the expiration or termination of this Agreement (by expiration of the term or otherwise), shall survive such expiration or termination and shall continue to be enforceable as provided herein. Without limiting the generality of the foregoing, the Contractor’s obligations for the provision of insurance, for indemnity to the City, for the return of real property, Supplies, and Equipment and Controlled Assets, and for preserving confidentiality of trade secrets and other information shall survive for a period equal to any and all relevant statutes of limitation, plus the time necessary to fully resolve any claims, matters, or actions begun within that period.

37. **INUREMENT:** The rights and obligations of the parties herein set forth shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns permitted under this Agreement.

38. **TIME IS OF THE ESSENCE:** The parties agree that in the performance of the terms, conditions, and requirements of this Agreement, time is of the essence.

39. **PARAGRAPH HEADINGS:** The captions and headings set forth herein are for convenience of reference only, and shall not be construed so as to define or limit the terms and provisions hereof.

40. **CITY EXECUTION OF AGREEMENT:** This Agreement is expressly subject to, and shall not be or become effective or binding on the City until it has been approved by the Denver City Council and fully executed by the City and County of Denver.
41. **CONTRACT DOCUMENTS: ORDER OF PRECEDENCE:** This Agreement consists of Paragraphs 1 through 42, which precede the signature page, and the following attachments which are incorporated herein and made a part hereof by reference:

- Exhibit A  Scope of Work and Budget
- Exhibit B  Certificate of Insurance
- Exhibit C  Verification Affidavit

In the event of (i) an irreconcilable conflict between a provision of Paragraphs 1 through 42, and any of the listed attachments or between provisions of any attachments, such that it is impossible to give effect to both, the order of precedence to determine which document shall control to resolve such conflict, is as follows, in descending order:

- Paragraphs  1 through 42 hereof
- Exhibit A  Scope of Work and Budget
- Exhibit B  Certificate of Insurance
- Exhibit C  Verification Affidavit

42. **COUNTERPARTS OF THE AGREEMENT:** The Agreement may be executed in counterparts, each of which is an original and constitute the same instrument.

43. **ELECTRONIC SIGNATURES AND ELECTRONIC RECORDS:** Contractor consents to the use of electronic signatures by the City. The Agreement, and any other documents requiring a signature hereunder, may be signed electronically by the City in the manner specified by the City. The Parties agree not to deny the legal effect or enforceability of the Agreement solely because it is in electronic form or because an electronic record was used in its formation. The Parties agree not to object to the admissibility of the Agreement in the form of an electronic record, or a paper copy of an electronic document, or a paper copy of a document bearing an electronic signature, on the ground that it is an electronic record or electronic signature or that it is not in its original form or is not an original.

END

SIGNATURES PAGES AND EXHIBITS FOLLOW THIS PAGE

\[
\]

EXHIBIT A  SCOPE OF WORK/BUDGET
EXHIBIT B  CERTIFICATE OF INSURANCE
EXHIBIT C  VERIFICATION AFFIDAVIT

24
Contract Control Number: SOCSV-201209022-00

Contractor Name: DENVER OPTIONS, INC. dba Rocky Mountain Human Services

IN WITNESS WHEREOF, the parties have set their hands and affixed their seals at Denver, Colorado as of February 12, 2013.

SEAL

CITY AND COUNTY OF DENVER

ATTEST:

Debra Johnson, Clerk and Recorder, Ex-Officio Clerk of the City and County of Denver

APPROVED AS TO FORM:

DOUGLAS J. FRIEDNASH, Attorney for the City and County of Denver

By: Victoria Ortega, Assistant City Attorney

REGISTERED AND COUNTERSIGNED:

Cary Kennedy, Manager of Revenue/Chief Financial Officer

By: Dennis Gallagher, Auditor
Contract Control Number: SOCSV-201209022-00
Contractor Name: DENVER OPTIONS, INC. dba Rocky Mountain Human Services

By: [Signature]

Name: Stephen R. Block
(please print)

Title: Chief Executive Officer
(please print)

ATTEST: [if required]

By: ________________________________

Name: ________________________________
(please print)

Title: ________________________________
(please print)
Exhibit A-4

This exhibit A-4 is effective as of January 1, 2015
Applicable to the Second Renewal Term January 1, 2015 to December 31, 2015

Denver Options, Inc. dba Rocky Mountain Human Services – SDCSV 2012-09022(A-4)
Developmental Disabilities Services for Denver Citizens
Supported by the 2015 Mill Levy Funds

The following is a description of the services and supports to individuals with developmental disabilities which are to be supported by the projected payment of $11,466,000.00 in mill levy funding to Denver Options, Inc. which will conduct its business as Rocky Mountain Human Services during Calendar Year 2015. Actual expenditures may vary depending on the amount of dollars received. Targeted expenditures are subject to change as a result of an emergence of need and/or crisis faced by children and adults with developmental disabilities. Denver Options’ management and/or Board of Directors will determine and periodically review the priorities to determine the most appropriate use of available funds. Furthermore, in accordance with the Agreement, section 5 C. Budget “Carry Forward,” any unexpended funds may also be carried forward for administrative and programmatic expenditures in a subsequent renewal term.

I. Community Centered Board Obligations Under Colorado Revised Statutes 27.10.5 the Community Centered Board (CCSB) is responsible for determining eligibility of services, providing case management and providing specialized developmental disability services, either directly or through the CCB’s choice to subcontract with approved service agencies and/or individual providers of services and supports.

A. State Match Requirements (Targeted Expenditure: $1,340,000 ________) With certain Adult and Children’s programs, such as those described in sections II and III of this Exhibit, the State of Colorado has a statutory requirement that 5% of local funds match 95% of the funds received from the State. The 5% match total is approximately $1,500,000 and is used to cover the gap in funding and costs associated with case management, care coordination and direct services to adults and children.

II. Children and Family Services and Supports (Targeted Expenditure: $4,750,000 ____________)

A. Early Intervention

Mill levy funds will be used assist In the expansion and ongoing delivery of children’s programs of early intervention for infants and toddlers, generally, but not limited to ages 0 to 3. Assessments and early intervention services are provided in home settings, community settings with non-disabled peers, and center based clinics and facilities. The program includes community outreach for increasing referrals and identifying children who are eligible for services. Services may include training of parents in the use of therapeutic techniques to assist them in caring for and maintaining their child In their home. Additional examples of early intervention services include diagnostic and/or evaluative assessments, developmental monitoring, speech therapy, occupational therapy, physical therapy, and other therapeutic supports identified in a Child’s Individualized Family Service Plan (IFSP). Whenever possible, the parents may select primary providers of their choice. All providers must meet qualification standards set by the federal government, state government and Denver Options.
B. Family Support and Respite Care

The Family Service and Support Program (FSSP) is administered by Denver Options, Inc. with the oversight of a volunteer Family Support Council comprised of parent representatives and direct consumers of services. Mill levy funds may be used for an array of staff support, direct services, respite care, diagnostic and evaluative assessments, equipment, home modifications to enable a family to have their child live with them, and other services and supports that will allow the parents to care for their child at home and deter costly out-of-home placements and institutionalization.

C. Autism Services

According to the Centers for Disease Control and Prevention, the incidence of autism among Infants and toddlers has become a pandemic. With 1 out of 59 children being born on the autism spectrum, the need for more diagnostic services for infants and toddlers with autism has become a critical need in Denver. Denver Options plans to expand and develop further its autism services in the area of diagnostic clinical assessments, data collection and analyses, clinical and familial education and training, and specialized clinical and behavioral intervention services for children of all ages.

III. Adult Services and Supports (Targeted Expenditure: $4,250,000)

A. Supported Living Day Program Services

Mill levy funds may support individuals with developmental disabilities in need of social and life skill development. Additionally, an array of services have been designed to help the person improve work-related skills and increase opportunities for community supported employment, participation in volunteer activities, and community integrated activities. Services may also be made available for non-work activities and/or services to retirees with developmental disabilities.

Interdisciplinary Teams also plan the use of public and private transportation services to and from residential settings, work places and program agencies. Emphasis in this area is to encourage use of public transportation, car pools and other integrated transportation services, where appropriate and available.

B. Comprehensive Residential Services

Mill levy funds may assist with the provision of residential services, such as (1) Host Home – a Home in which a person lives with a non-disabled individual or family; (2) Group Home – a congregate setting providing group care for four or more persons with disabilities into communities activities to increase natural family and friendship supports; (3) Intermediate Care Facility for Mentally Retarded (ICF/MR) – a group home setting for four or more individuals who meet nursing home guidelines established by the State of Colorado and/or the federal government through its Center for Medicaid Services.

Within the Day and Residential program areas there are specialized needs among individuals who are Medically Fragile or have other complex medical, physical, emotional and behavioral conditions and challenges. Mill levy funds may be used to support adults requiring dental care, wheelchairs, food and specialized diets, clothing, home modifications, ramps, nursing services, specialized bathrooms, home health services, physical therapy, speech therapy, psychiatric care, psychological and behavioral assessments, etc.
services, support plans and outpatient consultation and services, eyeglasses, medications and medication administration, and durable medical equipment.

Colorado Statute CRS 27-10.5 mandates the community centered board to coordinate and monitor services and supports through the provision of Case Management. Mill levy funds may be used to support the delivery of case management services which enables individuals with developmental disabilities to obtain authorized services through: a determination of eligibility for such services; the development of an individual plan; the coordination of services of the plan; the purchasing of authorized services; the monitoring of all services delivered pursuant to the plan; the evaluation of service outcomes in relation to the goals and objectives in the plan; and the reassessment of the needs of the person receiving services with maximum participation of the person receiving services and the person's parents, guardians or authorized representatives, if appropriate.

C. Waitlist Services and Supports

Mill levy funds may support services directed to individuals on the adult services waiting list who require urgent attention. Also, the funds may be used to target services for young adults transitioning from school-age services to adult services and need specialized supports, thus allowing family members to maintain their jobs, and/or help young adults become productively employed if they are capable of working.

D. Emergency Response and Crisis Intervention

Mill levy funds may be used for temporary emergency residential placements for individuals with developmental disabilities who would otherwise be homeless. Residential emergency placement is also necessary in cases of psychiatric emergencies or when adult protection is necessary. In addition, funds may be earmarked for the Jumpstart Emergency Fund, which is a contingency fund of “last resort” to assist individuals with developmental disabilities and their families in acute emergencies when no other organization can intervene.

E. Monitoring, Investigations, & Human Rights

Mill levy funds will support the monitoring of provider services in order to ensure that individuals receiving services are safe. Monitoring also includes making certain that providers adhere to standards, rules and regulations. Additionally, the review of incident reports is a critical function for protecting health and safety of the individual in services. Investigations into the allegations of abuse and neglect of individuals with developmental disabilities are an important function for determining referrals to the Denver Police Department and Denver Human Services' Adult Protection Services. Denver Options' Human Rights Committee ensures that an individual's rights suspensions are legitimate and in concert with State Rules and Regulations, and that psychotropic medications have been reviewed.

IV. Quality Assurances (Targeted Expenditure: $ 1,126,000)

A. Evaluation of Developmental Disability Services

Mill levy funds will support periodic and annual surveys of satisfaction among individuals receiving Adult Services and Children's services. Additionally, families and guardians will be surveyed to determine their experience and satisfaction with services and supports. The results of the evaluations will be included in a quarterly and/or annual report of services. Outcomes of surveys are also used for organizational and program service planning.
B. Community Outreach and Communications

Mill levy funds will support the development and distribution of informational materials, holding forums and other communication efforts designed to reach the Denver community for the purpose of informing and/or educating the public about the conditions of developmental disabilities, how to apply for services, and the types of services and supports that are offered through Denver Options, Inc. and its provider network.

C. Referral Network

Mill levy funds will be used to maintain and develop the database and network of physicians, psychologists, and other therapists and providers that can refer their patients and clients to Denver Options, Inc. for eligibility determination and developmental disability services.

D. Call Center

Denver Options' call center's specialized equipment and skilled staff enhances customer service for individuals and families seeking emergency crisis intervention, eligibility determination, and targeting the referrals from physicians, clinics, hospitals, Denver Department of Human Services, and the Police Department, among other local community and state agencies. Call center data will be collected and integrated into Denver Options' information management system, electronic medical records, and compliance activities with HIPAA.

E. Training and Technical Assistance

Mill levy funds may be used to support the development and implementation of specialized training programs and technical assistance for maintaining and/or increasing knowledge, skills and abilities of employees of service agencies, Denver Options' staff, and other community providers of developmental disability services.

Additionally, forums and educational programs will be developed and delivered for families and guardians in need of information about service delivery options, such as, how to navigate the developmental disability service system, enrollment in Medicaid and Medicare, information about specific syndromes and how to be a caregiver, planning for the future, and other topics that will be determined by an advisory group of parents and guardians.

V. Administration

Administrative costs are inclusive of the amounts identified as target expenditures within this exhibit. Up to 15% of those targeted expenditures may include reasonable administrative cost actually incurred for the provision of services under this Agreement.

VI. Additional Requirements for 2015

- Denver Options, Inc. will provide a written report on a quarterly and annual basis and will distribute a copy to the manager of DDHS and will also post the report on its RMHS website. DHS would like to add that quarterly and annual reports go to the Manager of DDHS and also the utilization management administrator.

- Denver Options may be requested to assist in finding resources for DDHS youth with developmental disabilities or delays needing care, as well as the transitioning of young adults.
• Denver Options and DDHS will hold monthly meetings throughout 2015 unless the parties mutually agree to cancel a meeting. Meetings will address referrals and other services that can be a benefit for DDHS Clients.

• DHS requests the continued participation of Denver Options, Inc. in the Adult Protection Community Team and their membership in Denver’s Forensic Collaborative for At Risk Adults.

Approved by:

Denver Options, Inc. dba Rocky Mountain Human Services
By: [Signature]
Title: CEO
Date: 3/5/15

Executive Director of Human Services
Date: 3/9/15

Approved as to Form:

City Attorney for the City and County of Denver
By: [Signature]
Assistant City Attorney
December 9, 2015

Mr. Kip R. Memmott, MA, CGAP, CRMA
Director of Audit Services
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. Memmott:

The Office of the Auditor has conducted an Audit of Rocky Mountain Human Services.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on November 25, 2015. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING
Denver Department of Human Services’ Failure To Adequately Monitor its Contract with Rocky Mountain Human Services Has Contributed to Misuse of Taxpayer Funds

<table>
<thead>
<tr>
<th>RECOMMENDATION 1.1</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
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<tbody>
<tr>
<td>Agree or Disagree with Recommendation</td>
<td>Agree: March 1, 2016</td>
<td>Jay Morein, 720-944-2526</td>
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Narrative for Recommendation 1.1
DDHS agrees with the recommendation. The Department recognizes that the broad budget categories that have been used in previous annual contract cycles have not provided sufficient granularity. As such, some of the expenditures highlighted in the audit as being questionable
would have been allowable under the contract, even had the department’s monitoring efforts been in place at a level to identify such charges. The Department will work with Rocky Mountain Human Services (RMHS) in developing a more specific line item budget, with a targeted date of March 1, 2016, for a detailed budget to be in place for the 2016 contract period.

RECOMMENDATION 1.2
Source Documentation—DDHS should request source documentation from RMHS to verify that expenditures were in compliance with contract terms. At a minimum, DHS should verify that administrative costs do not exceed 15 percent on all future invoices, that executive salaries are properly classified as administrative expenses, that administrative expenses do not include fundraising expenses, and that mill levy funds are only funding communications and outreach expenses for intellectual and developmental disability programs.

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Narrative for Recommendation 1.2
DDHS agrees with the recommendation. The Department will request supporting documentation to verify that expenditures are in compliance with the contract terms. The Department will also verify that administrative costs remain within the threshold as set in the terms of the contract. Because the 15 percent cap on administrative costs is an annually negotiated term, the department will verify that such costs remain within the negotiated cap, at whatever level is applicable to the annual contract term. DDHS will also ensure that the terms of the contract more clearly define the allowable expenditures that can attribute to the administrative cost categories covered by mill levy funds, limiting such costs to only those which support intellectual and developmental disabilities populations residing in Denver. The Department will implement the request for supporting documentation through its 2016 negotiated agreement with RMHS, with a targeted date of April 1, 2016, for such documentation to be provided by RMHS to the Department.

RECOMMENDATION 1.3
Residency Requirements—DDHS should work with the City Attorney’s Office and RMHS to determine how best to address the residency requirements of Initiative 100.

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Narrative for Recommendation 1.3
DDHS agrees with the recommendation. The Department will work with the City Attorney’s Office and RMHS to determine how best to address the residency language of Initiative 100. The Department and the City Attorney’s Office recognize that the issue of residency is complex; under certain circumstances, state rule and law require that a recipient of services provided by RMHS continue to receive those services from RMHS, even if the recipient relocates outside of
Denver. The Department and City Attorney’s Office may opt to address some of the complexities through City Ordinance (see Recommendation 1.4). DDHS will implement the recommendation to work with the City Attorney’s Office and RMHS with a targeted date of March 1, 2016.

**RECOMMENDATION 1.4**

**Initiative 100**—DDHS should work with the City Attorney’s Office and City Council to determine whether the intent of Initiative 100 should be codified in City Ordinance and filed with the Office of the Clerk and Recorder.

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**Narrative for Recommendation 1.4**

DDHS agrees with the recommendation. The Department recognizes that Initiative 100 was approved by voters more than ten years ago, and acknowledges that the terms of the Initiative lack sufficient specificity in providing direction to the City regarding the administration of the mill levy proceeds. Further, the Department understands that other similar voter-approved taxes have been codified in ordinance in Denver. The Department and the City Attorney’s Office will work with City Council to determine whether the intent of Initiative 100 should be codified in City Ordinance. Should the decision be made to codify in City Ordinance, the Department will work with City Council and the City Attorney’s Office to ensure that the City has the flexibility within Code to address any changes that might be necessary as federal and state laws affecting services to people with intellectual or developmental disabilities are adopted. The Department will implement this recommendation with a targeted date of April 1, 2016. The process to codify, should such a decision be made, may require extensive external comparative analysis with how other counties in Colorado allocate mill levy funds for services for individuals with intellectual and developmental disabilities, as well as collaborative work with City Council, the City Attorney’s Office and the community, before being introduced for City Council consideration.

**RECOMMENDATION 1.5**

**Update Contract**—DDHS should address deficiencies in the RMHS contract by clarifying reporting requirements, such as annual reporting to City Council, and eliminating any outdated items, such as local match and the Center for Training and Technical Assistance areas in the contract exhibit.

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**Narrative for Recommendation 1.5**

DDHS agrees with the recommendation. The updated contract will clarify reporting requirements and eliminate outdated items. The current contract with Rocky Mountain Human
Services expires December 31, 2017. The Department will consult with the City Attorney’s Office to determine whether the Mill Levy Agreement (MLA) between RMHS and the City and County of Denver requires amending, or whether the City can clarify the terms through the contract’s 2016 exhibit. The timeline to implement the recommendation will be predicated on whether the MLA requires amending, or if the agreed upon changes can be effectuated through the exhibit to the MLA. Should the MLA need to be amended, Denver City Council approval will be required, which could conceivably extend the timeline. The Department will work with the City Attorney’s Office to determine which of the two alternatives to follow, and will initiate pursuing the most appropriate alternative, with a targeted implementation date of March 1, 2016.

RECOMMENDATION 1.6
Monitoring—DDHS should monitor its contract with RMHS by reviewing, at a minimum, monthly financial statements and cash disbursements, and conduct quarterly cycle audits to understand how mill levy funds are utilized. In addition, DDHS should ensure that RMHS’s Board of Directors is executing its fiduciary duty to ensure mill levy funds are spent according to the contract.

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Narrative for Recommendation 1.6
DDHS agrees with the recommendation. The Department acknowledges that it has not adequately monitored the contract with RMHS, as found through the audit. The administrative burden to provide adequate monitoring, to the level recommended by the Office of the Auditor, exceeds the Department’s current capacity, and was not contemplated in the Department’s 2016 budget. The Department will work with RMHS and the City Attorney’s Office to carve out a small portion of the proceeds from the dedicated mill levy to support a lead auditor position to provide the full array of monitoring duties, including a review of monthly financial statements and cash disbursements, and the development and implementation of quarterly cycle audits. The Department will target to implement an expanded monitoring by April 1, 2016, recognizing that the level of monitoring as recommended by the Office of the Auditor may not be fully implemented until a position has been created and hired to fulfill the job responsibilities.

Please contact Jay Morein at 720-944-2526 with any questions.

Sincerely,

[Signature]

Don Marc
Executive Director

cc: Janice Sinden, Chief of Staff