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Cover photo courtesy of Deposit Photos.
AUDITOR'S LETTER

January 20, 2022

The objective of our audit of the Neighborhood Food Environments Program — funded by a state grant from the Colorado Department of Public Health and Environment and administered by the Denver Department of Public Health and Environment — was to determine the city's compliance with state grant regulations. I am pleased to present the results of this audit.

The audit did not identify unallowed grant expenditures. However, some documentation did not comply with grant regulations. Furthermore, the Denver Department of Public Health and Environment has an unreliable process for monitoring subrecipients, which led to some documentation not meeting grant requirements. We also found the department has not completed the city’s worksheet for determining whether Jefferson County Public Health and the Tri-County Health Department were subrecipients of grant funding.

By implementing recommendations for stronger controls over grant-required documentation and subrecipient monitoring, the Denver Department of Public Health and Environment will be better equipped to ensure the city complies with grant requirements.

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

We extend our appreciation to the personnel in the Denver Department of Public Health and Environment and the Department of Finance who assisted and cooperated with us during the audit. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor's Office

Timothy M. O'Brien, CPA
Auditor
Objective

To determine whether the Denver Department of Public Health and Environment is complying with expenditure requirements under the state grant-funded Neighborhood Food Environments Program and whether the department properly reported grant expenditures to the grant-governing authority and sufficiently monitored grant subrecipients.

Background

The Neighborhood Food Environments Program is intended to advance policy changes that increase targeted neighborhoods' access to healthy food. The city receives its grant funding from the state and partners with Jefferson County Public Health and the Tri-County Health Department to address food environment-related policies and practices from a regional approach.

We found no evidence of ineligible expenditures being paid for with grant funding and the city’s communication with its subrecipients was constant. However, we also noted some compliance issues.

Selected Expense Transactions Appear Eligible for Neighborhood Food Environments Program Grant Funding but Some Lack Complete Supporting Documentation

Ten — or 37% — of 27 expenses we tested were missing some form of documentation required by the state. Seven of those were missing travel-related documentation.

The Denver Department of Public Health and Environment Did Not Sufficiently Monitor Subrecipients’ Expenditures

The department does not have formal processes for reviewing invoices on a detailed level, which led to subrecipients not maintaining sufficient documentation for grant expenditures in accordance with grant requirements. We could not determine eligibility for one grant expenditure because of the lack of documentation.

In addition, the department never completed the city’s required worksheet to determine the subrecipient statuses of Jefferson County Public Health and the Tri-County Health Department.

WHY THIS MATTERS

Noncompliance with state grant documentation and oversight requirements jeopardizes both the city’s future state funding for the Neighborhood Food Environments Program and its goal of increasing Denver residents' equitable access to healthy and affordable foods.
Selected Expense Transactions Appear Eligible for Neighborhood Food Environments Program Grant Funding but Some Lack Complete Supporting Documentation

Expense Documentation for In-Town Mileage Is Lacking .......................................................... 4

Other Types of Supporting Documentation for Grant Spending Are Missing ............................ 6

The Denver Department of Public Health and Environment Did Not Sufficiently Monitor Subrecipients’ Expenditures

The Denver Department of Public Health and Environment Approved Invoices without Closely Examining the Expenses Being Reimbursed .......................................................... 9

The Denver Department of Public Health and Environment Did Not Document Its Identification of Subrecipients of Grant Funding .......................................................... 12
BACKGROUND

Neighborhood Food Environments Program

The Denver Department of Public Health and Environment created the Neighborhood Food Environments Program to implement policies and changes to create complete neighborhood food environments that increase equitable access to healthy, affordable foods. The program is also known as the Food in Communities project, which was part of the larger Denver Food Action Plan the department rolled out in June 2018.¹

According to the Centers for Disease Control and Prevention, a “food environment” is:

- The physical presence of food that affects a person’s diet.
- A person’s proximity to grocery stores.
- The distribution of grocery stores, food services, and any physical entity by which food may be obtained.
- A connected system that allows access to food.²

The program takes a regional approach to address food environments and food system policies and practices, especially for low-income neighborhoods and communities of color. The program’s objectives focus on advancing policy changes and community projects that increase access to healthy food and beverages and contribute to the state’s overall goal of reducing chronic heart and lung disease and associated health inequities in Colorado.

Because the program’s purpose is focused on changing and implementing policy and community projects, direct food delivery to those in need is not a primary activity covered by the state grant. Instead, the program pays for studies, meetings, trainings, and conferences centered on policy changes promoting healthy food and beverages. Such events were held in communities across the Denver metro area.

Program Funding and Spending

The Colorado Department of Public Health and Environment’s Cardiovascular and Pulmonary Disease Grant Program funds Denver’s Neighborhood Food Environments Program. A 2018 contract between the city and the state provided the state money from July 1, 2018, through June 30, 2021.

The grant agreement contained renewal options for each year that, when renewed, specified the annual budget for allowed spending in five categories.

Table 1 details those categories along with the cumulative amount the city spent in each category from mid-2018 through mid-2021. In mid-2021, the state and the city renewed their grant agreement through mid-2022.

<table>
<thead>
<tr>
<th>Grant Spending Category</th>
<th>Amount Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Personnel</td>
<td>$505,180</td>
</tr>
<tr>
<td>Travel</td>
<td>$4,743</td>
</tr>
<tr>
<td>Supplies, Materials, and Other Operating Expenditures*</td>
<td>$16,390</td>
</tr>
<tr>
<td>Contracted Services (including subrecipient agreements with Jefferson County Public Health and the Tri-County Health Department)</td>
<td>$1,417,212</td>
</tr>
<tr>
<td>Indirect Costs (calculated as a percentage of one or more of the above spending categories, depending on the grant year)</td>
<td>$54,462</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,997,987</strong></td>
</tr>
</tbody>
</table>

*“Other operating expenditures” include costs to host meetings, trainings, and conferences — such as rental space, bus passes, interpreters, child care, and coffee and snacks.

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

Organizational Structure

The state provides funding for two city staff positions to administer and operate the program. As illustrated in Figure 1 on the next page, the city used that money to create two “community food connector” positions. These positions report to a food systems environmental administrator, who oversees their work and reports to the Denver Department of Public Health.

3 At the time we audited the Neighborhood Food Environments Program, the Tri-County Health Department served Adams, Arapahoe, and Douglas counties. However, by January 2023, the three counties will be operating health departments on their own, and the Tri-County Health Department will cease to exist.
and Environment's community health promotion director.

The administrator and director positions are not funded by the state grant. However, the two food connector positions were not consistently filled during the first three years of the program due to factors such as high turnover and the citywide hiring freeze during the COVID-19 pandemic in 2020.

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**FIGURE 1. Neighborhood Food Environments Program Organizational Chart**

![Organizational Chart](image)

*Note:* A state grant pays for the two community food connector positions.

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

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**Purpose of This Audit**

Because the Neighborhood Food Environments Program is funded solely with state dollars, it is subject to state audit. But it is not subject to a single audit by external auditors, which is required of grants funded with federal dollars.

Therefore, our audit is focused on determining whether program expenditures were eligible according to the grant agreement with the state, whether the city submitted required reporting to the state in a timely manner, and whether the city properly monitored its grant subrecipients for financial compliance.
FINDING 1 AND RECOMMENDATIONS

Selected Expense Transactions Appear Eligible for Neighborhood Food Environments Program Grant Funding but Some Lack Complete Supporting Documentation

As part of our grant funding compliance review, we tested random samples of expenses incurred by the city for the Neighborhood Food Environments Program and found the supporting documentation required by state grant requirements was not always available. Specifically, 10 of the 27 invoices we tested lacked the required documentation.

However, we found no evidence that any of the expenses we tested were ineligible for state grant funding, based on the supporting documentation that was available.

We developed testing criteria by referring to the state’s invoice documentation checklist and grant requirements to determine the expenses’ eligibility and the sufficiency of documentation. We then retrieved expense documentation from Workday, the city’s system of record, that was attached to the selected transactions. If documentation from Workday was insufficient, we contacted the Denver Department of Public Health and Environment to learn whether further documentation was available.

Expense Documentation for In-Town Mileage Is Lacking

CONDITION – In-Town Mileage Documentation Does Not Meet State Requirements

Several of the selected expenses were reimbursements for in-town mileage incurred by city employees on behalf of the Neighborhood Food Environments Program.

The Denver Department of Public Health and Environment could not supply evidence showing that in-town mileage met the state’s checklist documentation requirements. Specifically, seven of the 27 expenses we tested did not include all required evidence.

CRITERIA – The State’s Invoice Documentation Checklist and a City Fiscal Accountability Rule Provide Guidance for Travel-Related Documentation Requirements

In its invoice documentation checklist, the Colorado Department of Public Health and Environment provides extensive guidance regarding allowable...
travel expenses and the documentation required. This documentation includes:

- Maps.
- An explanation of the purpose for travel.
- The travel date.
- The starting and ending addresses.
- Mileage logs.
- The meeting or conference agenda.

In addition, a city Fiscal Accountability Rule offers guidance regarding supporting documentation for travel expenses. It provides a mileage summary form as a consistent way for employees to record mileage when they use their own vehicles.

**CAUSE – Policies and Procedures for Retaining Documentation of In-Town Travel Expenses Are Nonexistent**

City employees submit in-town travel expenses for reimbursement through Kronos, the city’s timekeeping software. While Kronos tracks reimbursement amounts, supporting documentation — such as mileage logs and maps — cannot be attached. As a result, city agencies are supposed to independently retain their staff’s travel documentation for reference. Because this is a citywide policy, this could affect in-town travel expense documentation across the city, not just for this program.

City Public Health and Environment staff said when supervisors approve mileage, they review the documentation, but they do not retain it for the Neighborhood Food Environments Program because they rely on the employee to do so. Additionally, staff said that because of the high turnover in the grant-funded positions, in-town travel documentation was lost or otherwise unavailable.

We also found Neighborhood Food Environments Program staff do not have policies and procedures for ensuring they retain in-town travel expense documentation when an employee leaves the city.

**EFFECT – The Denver Department of Public Health and Environment Cannot Properly Substantiate the Allowability of Its Mileage Expenses**

Should the state request supporting documentation from the city, Public Health and Environment would be unable to properly substantiate the allowability of some of its in-town mileage expenses. As a result, the state

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could deny reimbursement of grant funds.

However, because in-town travel expenses make up only 0.1% of the roughly $2 million in total grant funds, the risk is small that the state would not reimburse the cost or that it would ask the city to refund previously paid grant funds.

**1.1 RECOMMENDATION**

**Develop Mileage Policy**

The Denver Department of Public Health and Environment should develop and implement a policy and procedure for mileage related to the Neighborhood Food Environments Program. The policy and procedure should meet the state’s travel documentation requirements laid out in the invoice documentation checklist. The department should also include Fiscal Accountability Rule 10.7 in this new policy.

**AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – JAN. 31, 2022**

SEE PAGE 14 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.

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**Other Types of Supporting Documentation for Grant Spending Are Missing**

**CONDITION – Gift Cards and Other Expenses Do Not Meet Contract Requirements**

We found three non-travel-related expenses for the Neighborhood Food Environments Program also had missing documentation:

- Food supplies.
- Books and educational materials.
- Administrative expenses.

An important part of the program is the recruitment of community members to serve on neighborhood food coalitions, and these members are thanked for their time and effort in the form of $50-$100 gift cards. The department categorized gift cards as “food supplies” and “books and educational materials” because the city's accounting system of record does not have a category specifically for recording the purchase of gift cards.

When we requested supporting documentation for the gift cards, department staff said they would find it difficult to locate this documentation because previous employees kept it as hard copies. Specifically, the department could not provide a gift card inventory or complete gift card distribution logs for the most recent program year.

The distribution logs included minimal information such as the names of the gift card recipients and whether they received the gift card. These logs do not meet grant requirements because they do not include gift...
card numbers, amounts, and the signatures of recipients. Based on our observations during testing, the amount of gift card expenditures are likely minimal compared to overall program expenditures.

In addition to missing gift card expense documentation, we identified one administrative expense that was for catering a meeting. The expense documentation lacked a meeting agenda, the documented purpose of the meeting, and a list of meeting attendees.

CRITERIA – The Colorado Department of Public Health and Environment Provides Guidance through Its Invoice Documentation Checklist and Applicable Grant Agreements

The Colorado Department of Public Health and Environment’s invoice documentation checklist specifies what kinds of supporting documentation “grantees” — in this case, the City and County of Denver and its subrecipients — should attach to their invoices depending on the type of expenditure.\(^6\)

In the case of gift cards, the grant agreement between the city and the state stipulates that “upon request,” the city must provide the state with its written procedures for buying and handling gift cards. The agreement says the procedures must include, “at a minimum”:

- How the city tracks and maintains its gift card inventory.
- How the city stores gift cards and protects them from theft.
- The primary person responsible for securing and distributing gift cards.
- A gift card distribution log that records each gift card number and dollar amount, as well as the name and signature of each gift card recipient.\(^7\)

CAUSE – Policies and Procedures for Documentation Are Lacking

We learned the Denver Department of Public Health and Environment does not have documented procedures for grant-specific documentation requirements, such as tracking and safeguarding gift cards paid for with state grant funding for the Neighborhood Food Environments Program.

The department also does not provide new employees with standardized training on documentation requirements and document retention. Without these elements, when employees leave the grant-funded positions, the department may lose access to information that was not shared or stored in an easily accessible location.

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\(^7\) City and County of Denver, “Intergovernment Contract with the City and County of Denver” (May 2018), Standards and Requirement No. 9.
EFFECT – The Denver Department of Public Health and Environment Cannot Properly Substantiate the Allowability of Some Grant Expenditures

If the state were to request supporting documentation, the department would not be able to substantiate the allowability of these expenses. As a result, the state could deny the city’s request for reimbursement.

<table>
<thead>
<tr>
<th>RECOMMENDATION</th>
<th>Develop Documentation Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Denver Department of Public Health and Environment should develop and implement policies and procedures for documentation requirements based on the guidance provided by the state’s invoice documentation checklist and the agreement for the state grant that pays for the Neighborhood Food Environments Program.</td>
<td></td>
</tr>
<tr>
<td>AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – JUNE 30, 2022</td>
<td>SEE PAGE 15 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.</td>
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<thead>
<tr>
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<tr>
<td>The Denver Department of Public Health and Environment should develop and conduct a training to teach new grant staff about documentation requirements for the Neighborhood Food Environments Program.</td>
<td></td>
</tr>
<tr>
<td>AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – JUNE 30, 2022</td>
<td>SEE PAGE 16 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.</td>
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<table>
<thead>
<tr>
<th>RECOMMENDATION</th>
<th>Develop Grant Gift Card Policy</th>
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<td>The Denver Department of Public Health and Environment should develop and implement a specific policy and procedure for gift cards that meet the state’s requirements as listed in the agreement for the state grant that pays for the Neighborhood Food Environments Program.</td>
<td></td>
</tr>
<tr>
<td>AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – JAN 31, 2022</td>
<td>SEE PAGE 16 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.</td>
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</tbody>
</table>
FINDING 2 AND RECOMMENDATIONS

The Denver Department of Public Health and Environment Did Not Sufficiently Monitor Subrecipients’ Expenditures

To reach the objectives of the Neighborhood Food Environments Program, the city established grant agreements with two subrecipients: Jefferson County Public Health and the Tri-County Health Department. Because of the program’s structure, subrecipient monitoring is the responsibility of the Denver Department of Public Health and Environment. The city’s Department of Finance assists with accounting for grant activities and submitting invoices to the state.

We found the city’s monitoring does not include reviewing subrecipient invoices in detail — meaning the city did not examine supporting documentation for individual transactions.

We tested 12 of these expenses and found no evidence of eligibility concerns based on available supporting documentation. However, not all required supporting documentation was available for some of the expenses we tested. For example, one expense for $17 did not have enough documentation to determine its eligibility.

CONDITION – The City Does Not Review Subrecipient Invoices in Detail

As part of their review process, staff in the Denver Department of Public Health and Environment said they hold meetings with Jefferson County Public Health and the Tri-County Health Department approximately every other week to discuss programmatic and operational topics. However, the department did not provide documentation showing that subrecipient invoices were reviewed at a detailed level during these meetings — such as analyzing specific expense documentation and indirect costs.

We reviewed 12 meeting minutes from these meetings and none of them showed evidence that the department discussed, reviewed, or approved individual expenses from subrecipient invoices.

Furthermore, we found the invoices from the Tri-County Health Department lacked sufficient information for the department to determine whether these expenses were allowable.
CRITERIA – The Colorado Department of Public Health and Environment Provides Guidance through Its Invoice Documentation Checklist and Applicable Grant Agreements

The Colorado Department of Public Health and Environment provides guidance on the types of documentation required, as well as examples for allowable expenses, in its invoice documentation checklist. Eligibility requirements and indirect rates are also outlined in the grant contracts and vary between subrecipients and grant years.

CAUSE – Informal and Unstructured Processes Resulted in Ineffective Subrecipient Monitoring

Staff in the Denver Department of Public Health and Environment said their main form of monitoring includes the frequent communication with subrecipients and the preapproval of the operating agreement. This leads them to give general approval of the invoices but it fails to consider the guidance from the invoice documentation checklist. Additionally, the department does not have policies and procedures describing job duties and expectations related to subrecipient monitoring for this grant.

Meanwhile, the department overlooked the process of reviewing and approving subrecipients’ indirect costs because it does not have policies and procedures that describe the roles and responsibilities of other city agencies involved in administering the Neighborhood Food Environments Program, such as the Department of Finance.

Furthermore, the Neighborhood Food Environments Program was affected by staff turnover and it does not have sufficient resources to adequately train new staff on proper grant-specific subrecipient monitoring, including the processes for reviewing and approving subrecipients’ invoices and indirect costs.

INDIRECT COST AND INDIRECT RATES

“Indirect costs” are general expenses not directly tied to program objectives but necessary for program operations — such as the city Finance Department providing time and effort to support the Neighborhood Food Environments Program. Another example is a general city expense, such as utilities (e.g., electricity and water) that city employees working on the program use when carrying out the program objectives.

Within this grant, indirect costs are reimbursed at a percentage of direct costs, which is called the “indirect rate.”

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EFFECT – The Denver Department of Public Health and Environment Cannot Properly Substantiate the Allowability of Some Grant Expenditures from Its Subrecipients

Once again, if the state were to request supporting documentation for the city’s subrecipients, the Denver Department of Public Health and Environment would not be able to substantiate the allowability of its expenses. As a result, the state could deny the city’s request for reimbursement of grant funds.

In addition, neither the city’s Department of Public Health and Environment nor its Department of Finance corrected a miscalculation of indirect costs. One of the subrecipients charged its state-negotiated annual indirect rate instead of the grant-contracted rate. This resulted in the subrecipient not invoicing about $725 for indirect cost reimbursement.

While this miscalculation was in the city’s favor and is small compared to the overall grant budget, this may not be the case the next time an indirect cost is miscalculated.

2.1 RECOMMENDATION
Develop Subrecipient Review Process

The Denver Department of Public Health and Environment should develop and implement procedures for a formal review of subrecipient invoices on a detailed level — such as a monthly spot-check procedure — to ensure the Neighborhood Food Environments Program meets state documentation requirements.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – JUNE 30, 2022
SEE PAGE 17 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.

2.2 RECOMMENDATION
Develop Grant-Specific Training

The Denver Department of Public Health and Environment should develop and implement procedures to ensure staff in the Neighborhood Food Environments Program are periodically and consistently trained on required subrecipient monitoring.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – JUNE 30, 2022
SEE PAGE 17 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.
The Denver Department of Public Health and Environment should develop and implement policies and procedures on the roles and responsibilities of city agencies that are integral to administering the Neighborhood Food Environments Program, including the Department of Finance. Policies and procedures for the Department of Finance should include processes for monitoring subrecipients’ indirect rates.

AGENCY RESPONSE: AGREE, IMPLEMENTATION DATE – JUNE 30, 2022
SEE PAGE 18 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.

The Denver Department of Public Health and Environment Did Not Document Its Identification of Subrecipients of Grant Funding

CONDITION – Administrators of the Neighborhood Food Environments Program Did Not Document Their Determination of Grant Subrecipients
The Denver Department of Public Health and Environment could not provide documentation to support its determination that Jefferson County Public Health and the Tri-County Health Department were subrecipients of the state grant that pays for the Neighborhood Food Environments Program.

CRITERIA – A City Fiscal Accountability Rule Requires Subrecipient Determinations
A city Fiscal Accountability Rule requires subrecipient determinations and provides a “Subrecipient vs. Contractor” worksheet to guide city staff in making and documenting the determination. The rule also requires that staff keep the determination documentation.9

CAUSE – The Denver Department of Public Health and Environment Never Completed the Worksheet for Subrecipient Determination
We found the city’s grant administrators did not complete the “Subrecipient vs. Contractor” worksheet associated with the city Fiscal Accountability Rule, because when the grant was first administered, the worksheet was not filled out or retained. Additionally, the grant administrators explained that filling out this worksheet was not a step required at the time the grant proposal was submitted.

As discussed, the fiscal rule requires agencies to document subrecipient determinations and provides the worksheet as a guide. The rule also requires agencies to keep this determination documentation.¹⁰

**EFFECT – The Denver Department of Public Health and Environment May Not Be Adequately Monitoring Grant Subrecipients**

Without documenting the determination of subrecipient status for Jefferson County Public Health and the Tri-County Health Department, Denver’s Department of Public Health and Environment may not know if or when subrecipient monitoring applies to the Neighborhood Food Environments Program — or any other grant programs — to help ensure compliance with grant agreements and all applicable laws, rules, regulations, and guidance.

Without this documented determination, the city could treat subrecipients and contractors inconsistently from one grant to another.

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**2.4 RECOMMENDATION**

**Complete Required Worksheet**

The Denver Department of Public Health and Environment should complete the “Subrecipient vs. Contractor” worksheet — as required by Fiscal Accountability Rule 9.2 — to determine whether Jefferson County Public Health and the Tri-County Health Department are subrecipients of the Neighborhood Food Environments Program. The department should then retain the documentation of its decision.

**AGENCY RESPONSE:** AGREE, IMPLEMENTATION DATE – JUNE 30, 2022

SEE PAGE 18 FOR THE AGENCY’S FULL RESPONSE TO OUR RECOMMENDATIONS.

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**OTHER ISSUES NOTED**

We noted additional issues that appear to have been corrected before our audit. See Appendix A for this detail.

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¹⁰ City and County of Denver, "Rule 9.2 – Grant Management, Fiscal Accountability Rules."
January 5, 2021

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

Dear Mr. O’Brien,

The Office of the Auditor has conducted a performance audit of the Neighborhood Food Environments Program for grant compliance. This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on December 8, 2021. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

Overview
The Neighborhood Food Environments Program grant is known publicly as the Food in Communities (FIC) project and will be referred to as Food in Communities in the Denver Department of Public Health and Environment (DDPHE) response below. The grant is implemented within the Community and Behavioral Health (CBH) division of DDPHE. The findings below were taken directly from the program audit report draft, provided to DDPHE on December 8, 2021. The report indicates that most of the findings are low-risk and would have minimal impact on the Neighborhood Food Environment Program. To summarize, the following indicate the key concerns from the report: travel documentation, subrecipient invoicing, gift card documentation, catering, and training. DDPHE has responded to all the Auditor recommendations included in the report in the documentation below.

AUDIT FINDING 1
Selected Expense Transactions Appear Eligible for Neighborhood Food Environments Program Grant Funding but Some Lack Complete Supporting Documentation

RECOMMENDATION 1.1
Develop Mileage Policy – The Denver Department of Public Health & Environment should develop and implement a policy and procedure for mileage related to the Neighborhood Food Environments Program. The policy and procedure should meet the state’s travel documentation requirements laid out in the invoice documentation.
The department should also include Fiscal Accountability Rule 10.7 in this new policy.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</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>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>01/31/22</td>
<td>Laine Cidlowski (720) 865-5357</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.1
DDPHE staff has already changed their internal procedures to track mileage according to the CDPHE procedures prior to the initiation of this audit and is meeting the required reporting standard for documentation. The report’s findings about documentation were from the first few years of the grant, and with some staff turnover on the project, DDPHE had tightened up their administrative oversight and already has a new mileage tracking form in use on the project.

RECOMMENDATION 1.2
Develop Documentation Requirements – The Denver Department of Public Health and Environment should develop and implement policies and procedures for documentation requirements based on the guidance provided by the state’s invoice documentation checklist and the agreement for the state grant that pays for the Neighborhood Food Environments Program.

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<td>06/30/22</td>
<td>Laine Cidlowski (720) 865-5357</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.2
DDPHE will develop a Standard Operating Procedure for tracking and retaining the required documentation included on CDPHE’s invoice documentation checklist for the Food in Communities project.
RECOMMENDATION 1.3

Develop Documentation Retention Training – The Denver Department of Public Health and Environment should develop and conduct a training to teach new grant staff about documentation requirements for the Neighborhood Food Environments Program.

<table>
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</table>

Narrative for Recommendation 1.3
DDPHE will train all new and existing Food in Communities grant staff on the use of the Standard Operating Procedure for required CDPHE grant documentation.

RECOMMENDATION 1.4

Develop Grant Gift Card Policy – The Denver Department of Public Health and Environment should develop and implement a specific policy and procedure for gift cards that meet the state’s requirements as listed in the agreement for the state grant that pays for the Neighborhood Food Environments Program.

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<th>Name and phone number of specific point of contact for implementation</th>
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<tr>
<td>Agree</td>
<td>01/31/22</td>
<td>Laine Cidlowski (720) 865-5357</td>
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Narrative for Recommendation 1.4
DDPHE staff has already changed their internal procedures to track gift cards according to the CDPHE requirements. These findings about documentation were from the first few years of the grant, and with some staff turnover on the project, DDPHE has tightened up their administrative oversight on the Food in Communities grant.
AUDIT FINDING 2
The Denver Department of Public Health and Environment Did Not Sufficiently Monitor Subrecipients’ Expenditures

RECOMMENDATION 2.1

Develop Subrecipient Review Process – The Denver Department of Public Health and Environment should develop and implement procedures for a formal review of subrecipient invoices on a detailed level — such as a monthly spot-check procedure — to ensure the Neighborhood Food Environments Program meets state documentation requirements.

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Narrative for Recommendation 2.1
DDPHE will develop standard operating procedures to review invoices according to the guidance provided by CDPHE for the Food in Communities grant. These procedures will be shared with the DDPHE contracting team in the DDPHE Division of Administration for consideration of inclusion in other grants administered by DDPHE.

RECOMMENDATION 2.2

Develop Grant-Specific Training – The Denver Department of Public Health and Environment should develop and implement procedures to ensure staff in the Neighborhood Food Environments Program are periodically and consistently trained on required subrecipient monitoring.

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Narrative for Recommendation 2.2
DDPHE will train all new and existing Food in Communities grant staff on the use of the Standard Operating Procedure for required CDPHE grant documentation and other grant related activities as necessary and revisit on a quarterly basis.

RECOMMENDATION 2.3

Define Other Departments’ Subrecipient Monitoring Responsibilities – The Denver Department of Public Health and Environment should develop and implement policies and procedures on the roles and responsibilities of city agencies that are integral to administering the Neighborhood Food Environments Program, including the Department of Finance. Policies and procedures for the Department of Finance should include processes for monitoring subrecipients’ indirect rates.

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Narrative for Recommendation 2.3
DDPHE will clarify the roles and responsibilities between City agencies engaged in the implementation of the Neighborhood Food Environments program including the DDPHE Division of Administration and the Department of Finance. As necessary, policies and procedures will be developed or updated to reflect the agreed upon roles and any necessary agreements to carry out the work required to successfully implement the grant.

RECOMMENDATION 2.4

Complete Required Worksheet – The Denver Department of Public Health and Environment should complete the “Subrecipient vs. Contractor” worksheet — as required by Fiscal Accountability Rule 9.2 — to determine whether Jefferson County Public Health and the Tri-County Health Department are subrecipients of the Neighborhood Food Environments Program. The department should then retain the documentation of its decision.
Agree or Disagree with Recommendation | Target date to complete implementation activities (Generally expected within 60 to 90 days) | Name and phone number of specific point of contact for implementation
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Agree | 06/30/22 | Laine Cidlowski (720) 865-5357

**Narrative for Recommendation 2.4**

DDPHE will complete the “subrecipient vs. contractor” worksheet for all grants as required by the City. Because the current DDPHE grant staff and oversight managers were not the project staff when the grant was initially created, we do not have complete information about why this form was not filled in at the original grant start and setup in 2017. DDPHE will complete the required Fiscal Accountability Rule 9.2 form for the FIC grant.

**DDPHE Plan to Meet the Agreed to Recommendations**

The above listed recommendations, provided in the audit report, create the basis of the plan to improve DDPHE’s program and grant management procedures. At the time of the report, work has already begun to mitigate several of the concerns in the audit report. This plan seeks to expand on current efforts, creating additional resources as needed, guided by the provided recommendations, and will be completed by July 2022.

1) Create SOPs to address invoice documentation requirements, examples include Community and Behavioral Health Division procedures, documentation control, meeting minutes, invoicing, etc.
2) Create a DDPHE/CBH training program that covers program grant management & accountability for DDPHE employees working on grants
3) Establish a grants management program database for all DDPHE CBH employees
4) Quarterly micro-audits

**Justification for DDPHE’s Response**

With the recommendations provided in the report and the items in the proposed action plan, DDPHE can improve their policies surrounding program and grant management. It has already been acknowledged within the CBH division that there is a need for better control over the internal invoicing process. Despite this, CDPHE has marked DDPHE’s grant performance as sufficient (the highest possible rating) every quarter of the grant performance so far. DDPHE’s FIC project was also one of less than half of their cohort of grantees to be invited to receive an additional two years of funding after the initial grant term expired.

DDPHE’s work has already begun on creating SOPs for several aspects of program management, and specifically within the Food in Communities project. The expansion of SOP creation would be beneficial as many of the findings include references to grant management that are directly...
related to the invoicing process. The CBH Division of DDPHE is working on establishing their own internal invoicing process and policies, but this has been largely for internal processes and should consider additional requirements, as defined by the contracts held with non-CCD entities, such as the State of Colorado. Micro-audits will also help ensure consistency in CBH practices and help prevent future audit findings, correcting major issues before they impose a larger risk to the program and to DDPHE, CBH, and the City as a whole. These audits would also indicate any gaps in training and focus on better employee alignment with CBH procedures and goals. CBH and DDPHE’s updated procedures and training will help correct many of these concerns.

Conclusion

DDPHE is on year four of the five-year grant with CDPHE for Food in Communities and has already begun to address some of the suggestions provided by the Auditors in this report. The audit itself only looked at the first three years of the grant before some of these improved structures were in place in year three and currently in year four. DDPHE will build on the tracking processes and procedures underway and the Auditors’ suggestions to develop more clear and concrete grants management policies and procedures.

Please contact Tristan Sanders, Director of the Division of Community and Behavioral Health at (720) 865-5407 with any questions.

Sincerely,

Robert McDonald

Bob McDonald
Executive Director
Denver Department of Public Health and Environment

cc: Valerie Walling, CPA, Deputy Auditor
Katja E. V. Freeman, MA, MELP, Audit Director
Cody Schulte, CPA, CIA, Audit Manager
OBJECTIVE

To determine whether the Denver Department of Public Health and Environment is complying with expenditure requirements under the state grant-funded Neighborhood Food Environments Program and whether the department properly reported grant expenditures to the grant-governing authority and sufficiently monitored grant subrecipients.

SCOPE

We reviewed the Denver Department of Public Health and Environment’s compliance with regional and local grant requirements related to allowable costs, reporting requirements, and subrecipient monitoring for the Neighborhood Food Environments Program from July 1, 2018, through June 30, 2021.

METHODOLOGY

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

- Reviewing and documenting allowable activities and allowable costs in grant agreements and other state requirements.
- Selecting a sample of expenditures from the Denver Department of Public Health and Environment, as described in Appendix B, and performing procedures to verify whether transactions were for an allowable activity and/or cost in accordance with the grant agreements.
- Reviewing and documenting grant activities and costs from Workday, the city’s system of record.
- Analyzing expense categories to verify whether category totals exceeded grant contract limits.
- Reviewing and documenting grant requirements regarding the timing of report submissions.
- Analyzing reimbursement invoices from the Denver Department of Public Health and Environment to determine their timeliness.
- Reviewing and documenting grant requirements regarding subrecipient monitoring and the city’s communication with subrecipients to gather information and documentation.
- Selecting a sample of expenditures from subrecipients, as described in Appendix B, and performing
procedures to verify whether transactions were for an allowable activity and/or cost in accordance with the grant agreements.

- Reviewing the Denver Department of Public Health and Environment’s documentation regarding its determination of the subrecipient statuses of Jefferson County Public Health and the Tri-County Health Department.
- Reviewing and documenting grant requirements regarding indirect costs for the city, Jefferson County Public Health, and the Tri-County Health Department.
- Interviewing staff from the Denver Department of Public Health and Environment and the Department of Finance.
- Communicating with staff from the Colorado Department of Public Health and Environment, Jefferson County Public Health, and the Tri-County Health Department.
- Reviewing the reimbursement invoices from the city, Jefferson County Public Health, and the Tri-County Health Department to determine whether contracted indirect rates were used and whether reimbursement requests were proper.
APPENDICES

Appendix A – Other Issues Noted

Indirect Cost Calculations Were Previously Incorrect

During early grant years, the city’s indirect costs were not calculated and reimbursed correctly. We noted the indirect rate was charged to mileage reimbursements in fiscal years 2019 and 2020, which should have been excluded. Only salaries and benefits were eligible for indirect costs. The total miscalculation we identified was less than $100, and we found the charges were reversed in October 2020.

A second miscalculation of indirect costs was only an issue during the first year of the grant. A few months into the first grant year, an option letter for the grant agreement adjusted the overall budget and indirect rate. At the time, the indirect rate calculation should have been adjusted to maintain compliance with the new agreed-upon rate. However, the city continued to calculate indirect costs based on the prior contracted rate.

The city’s miscalculation resulted in indirect costs being calculated as $5,864 less than they should have been. Because of the contract’s maximum reimbursement, the city could have invoiced the state for only $954 of this, but the error was not corrected and the contract does not allow the city to recoup funds after August 2019.

As there appeared to be no further issues regarding indirect costs between the city and the state, the miscalculation amounts appear to be relatively small, and because the city can no longer recoup this money, we made no recommendations in this area.

The City Previously Did Not Submit Reimbursement Reports on Time

We found, from July 2018 through June 2021, the Denver Department of Public Health and Environment submitted a third of its invoices late to the state, ranging from a few days to several weeks. According to the grant agreement, invoices must be submitted to the state no later than 45 calendar days after the end of the month. However, the department did submit its most recent 10 months of reviewed invoices to the state on time.

Department staff said the late submissions of the initial invoices were caused by previous grant managers not being attentive to deadlines. However, department managers said they restructured their grant strategy to prioritize timely report submissions by ensuring the food systems environmental administrator assists with monitoring the grant schedule.

Because the issue appears to have been addressed and the late report submissions have ceased, we made no recommendations in this area.
Appendix B – Sampling and Testing Methodology

Testing of Expenditures for Allowable Activities and Costs

We reviewed all 3,056 expenditures — totaling $1,997,781 — associated with the Neighborhood Food Environments Program from July 1, 2018 through June 30, 2021 in Workday, the city’s system of record. Based on this review, we separated the expenditures into three groups and tested them in different ways:

- Payroll and compensation expenses.
- Subrecipient invoices.
- All other expenses.

PAYROLL AND COMPENSATION EXPENSES – The payroll and compensation expenditures consisted of 2,522 transactions for employee compensation and benefit payments, totaling $568,436. These transactions tend to be lower risk for grants because they are set up in Workday to automatically calculate, process, and document in the system.

Therefore, we analyzed payroll and compensation by comparing the actual expenditure totals to the budgeted amount to ensure overall contract compliance. This analysis found these expenditures were below the budgeted amounts, so there were no findings related to this test.

SUBRECIPIENT INVOICES – The expenditures related to subrecipient invoices consisted of 69 invoices totaling $1,155,229 that were received from Jefferson County Public Health and the Tri-County Health Department for expenses they incurred carrying out the Neighborhood Food Environments Program.

To test subrecipient expenses for allowable activities and costs, we judgmentally selected two invoices from Jefferson County Public Health and two invoices from the Tri-County Health Department for each year of the audit period, based on the American Institute of Certified Public Accountants’ sampling methodology for small populations. This resulted in 12 invoices selected.

For each invoice, we used our professional judgment to select one expense transaction to analyze in detail, ensuring at least one transaction from each subrecipient included:

- Personnel expenses.
- Supplies and operating expenses.
- Travel expenses.
- Contractual expenses.

The total sample coverage was $12,892 of $1,151,964, or about 1%. We excluded indirect expenses from the selection process and separately tested for contract compliance. The results of this testing are discussed on page 9.

ALL OTHER EXPENSES – We considered “all other expenses” as being those expenditures that were not included in either the payroll and compensation category or the subrecipient invoices category. This consisted of 465 transactions totaling $274,117.

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We selected a random sample of 27 of these expenditures by using a discovery sample methodology with a 90% confidence level, which is the standard sampling methodology for our office. We chose to use a critical error rate of 8% — which is higher than the normal 5% our office uses — because of the lower inherent risk of this reimbursement grant and because of the frequent communication between the city and state health departments.

The results of this testing are discussed in Finding 1, which begins on page 4.

**The City’s Meetings for Subrecipient Invoice Review**

As part of their oversight and monitoring process, staff in the Denver Department of Public Health and Environment said they hold two types of biweekly meetings with the subrecipients of the Neighborhood Food Environments Program: administrative meetings and core meetings. The administrative meetings involve city staff and subrecipient staff who work on the grant, and they cover discussions and trainings related to grant operations. The core meetings include only the grant managers from the city and its subrecipients, where they address budget-related items.

To test the reliability of Denver’s oversight of subrecipient invoices, we randomly selected dates for meeting minutes from two administrative meetings and minutes from two core meetings for each year of the audit period, using the American Institute of Certified Public Accountants’ guidance for small populations. Half of the dates we selected did not have administrative and core meetings on those dates. Therefore, the department provided minutes for six other meetings so that we could test 12 meetings’ worth. The selected coverage included 12 of the 156 meetings held, or 8% of the audit period.

The results of this testing are discussed in Finding 2, which begins on page 9.
Office of the Auditor

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

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

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