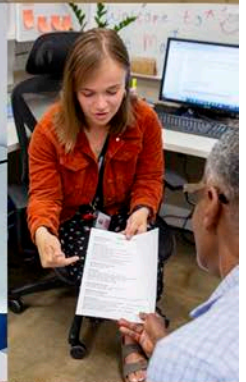


AUDIT REPORT

Department of Housing Stability *City Shelters*

NOVEMBER 2024



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City and County of Denver



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AUDITOR'S LETTER

November 21, 2024

We audited the Department of Housing Stability to assess whether it effectively monitors homeless shelter provider performance and spending. I now present the results of this audit.

The audit found the department is not able to ensure shelter providers comply with required security and non-discrimination standards at some homeless shelters. This contributed to a tragic event at one new shelter. Additionally, the audit found the department is not tracking overall shelter-related spending, ensuring invoicing contract requirements are followed, and properly managing sensitive information in one shared drive.

By implementing recommendations for stronger and clearer policies and procedures over monitoring and enforcing security measures, grievance processes, and spending and invoicing processes with shelter providers, the Department of Housing Stability will be better able to monitor shelter providers to keep shelter guests safe and enforce contract rules for spending of city funds.

I am disappointed the Department of Housing Stability chose to disagree with one recommendation that would clearly ensure the department continues to receive and maintain the supporting documentation necessary to monitor shelter provider spending. Further explanation is in the Auditor's Addendum that accompanies this recommendation.

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 appreciate the leaders and team members in the Department of Housing Stability who shared their time and knowledge with us during the audit. Please contact me at 720-913-5000 with any questions.

Denver Auditor's Office

A handwritten signature in black ink, appearing to read "Timothy M. O'Brien".

Timothy M. O'Brien, CPA
Auditor



City Shelters

NOVEMBER 2024

Objective

To assess the extent to which the Department of Housing Stability maintains an effective system for monitoring shelter provider performance and spending and to describe recent emergencies, organizational changes, and staffing challenges.

Background

The Department of Housing Stability oversees many of Denver's homeless shelters of varying types. The shelters can be city-owned or leased, or privately owned, and funding comes from many sources. Providers operate the shelters while the department funds and monitors the providers and programs.

Since its creation in 2019, the department has faced challenging events including the COVID-19 pandemic, new mayoral initiatives, and an increase in migrants. The department has undergone recent organizational changes to better manage its responsibilities. Those shelters managed by the Department of Housing Stability play a critical role in addressing homelessness in Denver.

REPORT HIGHLIGHTS

The Department of Housing Stability does not adequately ensure safety and compliance with nondiscrimination rules at shelters

- Deaths occurred at one site where security-related contract requirements were not met.
- Some shelters' antidiscrimination policies are not sufficient.
- Shelter guests may not have a clear and established method of filing complaints with shelters.

The Department of Housing Stability's current approach for monitoring shelter provider spending is not effective

- The department is not tracking overall shelter-related expenses.
- Department methods to ensure shelter spending is properly monitored are minimal and not adequately enforced.
- The department implemented a cost-reimbursement policy that does not follow contract requirements or city rules.

The Department of Housing Stability is not properly restricting access to sensitive information on its shared drive

City employees not working for the department have access to a shared drive folder containing sensitive information, including shelter guests' personally identifiable information.

WHY THIS MATTERS

If shelters cannot ensure the safety of those they serve and provide shelter guests with the ability to report issues, this vulnerable population might experience further harm or trauma. Additionally, by not tracking shelter spending and not restricting access to sensitive shelter guest information, the department is not able to assess whether funds were used appropriately or in compliance with city rules and ensure the protection of sensitive information it maintains.

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BACKGROUND

Denver’s homeless shelter system plays a critical role in addressing homelessness. One of its primary goals is to “provide safe shelter and meet basic needs” of people experiencing homelessness.¹ According to the Department of Housing Stability, the shelter system serves about 9,600 households experiencing homelessness each year. According to the 2024 Point-in-Time count, reported by the Metro Denver Homeless Initiative, 6,539 people were experiencing homelessness.²

Denver’s homeless shelter system

Denver’s shelters range from shared-space lodgings to individual rooms and tiny home micro-communities. Specifically, the different shelter types include:

- **CONGREGATE SHELTERS** – Facilities that house people in large common spaces, such as traditional day and overnight shelters.
- **NON-CONGREGATE SHELTERS** – Places, such as hotel rooms, that can house single occupants, roommates, and families.³
- **MICRO-COMMUNITIES** – Temporary housing set up for people experiencing homelessness using quick-to-build structures, such as tiny houses.⁴

POINT-IN-TIME COUNT

Metro Denver Homeless Initiative’s Point-in-Time count is an annual snapshot of how many individuals are experiencing homelessness on a single night. The 2024 Point-in-Time count happened on Jan. 22.

The city also provides cold or severe weather shelter for people experiencing homelessness when certain conditions are met, such as overnight low temperatures below 25 degrees or forecasts of at least two inches of snow.⁵

¹ Department of Housing Stability, “Supporting Shelter System Success – Enhancing Guest Experience and Provider Resources” (2024).

² Metro Denver Homeless Initiative, “2024 Point in Time Count,” accessed Oct. 28, 2024, <https://www.mdhi.org/pit>.

³ Denver Housing Stability, “2024 Action Plan,” accessed Aug. 19, 2024, https://denvergov.org/files/assets/public/v/1/housing-stability/documents/host_2024actionplan_c6-eng.pdf, 54.

⁴ “Denver’s homeless micro-communities: Potential locations, sobriety rules and more FAQs,” The Denver Post, Sept. 11, 2023, accessed Aug. 14, 2024, <https://web.archive.org/web/20240211151628/https://www.denverpost.com/2023/09/11/denver-homeless-micro-communities-frequently-asked-questions/>.

⁵ City and County of Denver, “2024-2025 Denver Cold Weather Sheltering Plan,” accessed Oct. 30, 2024, <https://www.denvergov.org/files/assets/public/v/1/housing-stability/documents/denver-cold-weather-shelter-policy-2024-2025-public.pdf>.

Shelters in Denver can be city-owned, city-leased, or privately owned. Thirteen shelters in Denver are privately owned and receive some funding from the city, while 12 facilities are owned or leased by the city but are operated by nonprofit organizations that have contracted with the city.

The city funds the shelter system through multiple sources. These include:

- The voter-approved Homelessness Resolution Fund, which collects a 0.25% sales tax to address homelessness-related issues including new shelters and shelter improvements, shelter operations, and shelter services.
- Money from the city’s General Fund, which is used to support city initiatives including helping people experiencing homelessness get access to housing.
- The federal Emergency Shelter Grant, which funds shelter operations but can also be used to help people secure permanent supportive housing and other homelessness resolution efforts such as addressing unsheltered homelessness.
- The federal Community Development Block Grant; the city allocates 30% of what it receives for economic development to support capital projects such as shelter acquisition and reconstruction.
- The COVID-19 pandemic response and recovery fund through the federal American Rescue Plan Act.⁶

The Department of Housing Stability

The Department of Housing Stability was created in 2019 by executive order to oversee Denver’s shelter system by financing and monitoring providers that contract with the city to operate its shelters.⁷ According to the executive order, the department is charged with developing, managing, and updating strategic plans; using local and federal funds to increase housing opportunity and help people experiencing homelessness; and bringing city agencies together with community partners to find solutions to housing and homelessness challenges.

In 2024, the department created two new divisions:

- The Shelter and Stability Division replaced the former Housing Stability and Homelessness Resolution Division. This division focuses on shelter operations and helping residents remain in their homes through rent, utility, and eviction assistance.
- The All in Mile High Division, dedicated to implementing the mayor’s All in Mile High initiative, which we discuss on [page 4](#).

The department includes two other divisions — the Operations and Impact Division, which includes marketing and financial services, and the

⁶ Denver Housing Stability, “2024 Action Plan,” accessed Aug. 19, 2024, https://denvergov.org/files/assets/public/v/1/housing-stability/documents/host_2024actionplan_c6-eng.pdf, 54.

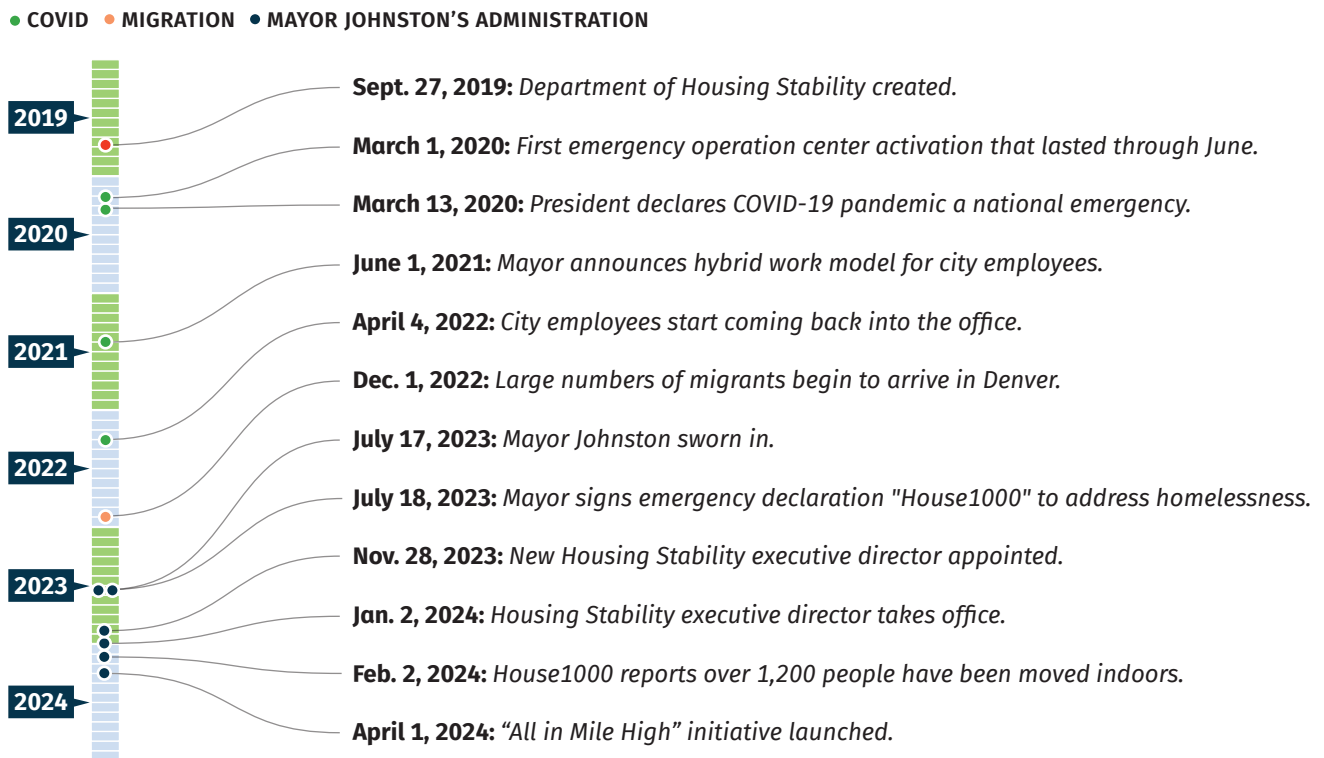
⁷ Exec. Order No. 145, City and County of Denver (2019), accessed Aug. 14, 2024, https://www.denvergov.org/files/assets/public/v/2/executive-orders/documents/145-department_of_housing_stability.pdf.

Housing Opportunities Division, which focuses on preserving existing affordable homes, expanding access to affordable housing, and increasing opportunities to own a house.

Events impacting the department and the shelter system

Since 2019, several significant events have shaped the Department of Housing Stability and the shelter system in Denver including a worldwide pandemic, a new mayoral priority of reducing the number of people experiencing unsheltered homelessness, and a significant increase in migrants starting in 2022.

FIGURE 1. Timeline of events impacting the Department of Housing Stability and the shelter system



Note: The dates associated with the COVID-19 pandemic and the increase in migrant arrivals are specific to the periods when the city's Emergency Operations Center was activated.

Source: Auditor's Office compilation of local and national press releases.

COVID-19 PANDEMIC – In March 2020 and shown in Figure 1, the president of the United States declared a national emergency due to the COVID-19 pandemic. All states, including Colorado, began to send government employees home to work remotely. This event activated the city's Emergency Operations Center to coordinate its emergency response.

The pandemic led to several shifts in the shelter system including shelters

serving those experiencing homelessness throughout the day, instead of only overnight. This 24/7 shelter approach now includes assigned beds, locked storage, and three meals a day.

MIGRANT POPULATION INCREASES – In December 2022, Denver saw a significant increase in the number of migrants arriving in the city. Although the rate had begun to decline, the city had served 42,738 people by the end of August 2024.

In response to this increase, a three-month activation of Denver’s Emergency Operations Center began that involved several city agencies working to provide resources, transportation, shelter, food, and medical services to migrants so they could exit the emergency shelter system.⁸

The city’s Human Services agency was primarily responsible for coordinating this effort, but the Department of Housing Stability assisted and maintained communications with Human Services to monitor whether migrants would interact with the traditional shelter system once they left emergency shelters.

MAYORAL INITIATIVES – In July 2023, Denver voters elected a new mayor. Mayor Johnston made several immediate decisions that significantly impacted the city and its shelter system. Specifically, he signed an emergency declaration to bring 1,000 people who were experiencing homelessness indoors. The mayor also created a 10-person team of appointees to oversee and coordinate this effort. This team was separate from the Department of Housing Stability. In November 2023, the mayor appointed Housing Stability’s new executive director.

HOUSE1000 – This initiative was intended to bring 1,000 people who were living in homeless encampments indoors. It also aimed to provide services to support them through health care and substance abuse treatment programs, and workforce readiness training. The Mayor’s Office claims this initiative reached its goal of getting around 1,000 people indoors by the end of 2023 after permanently closing 10 encampments.

ALL IN MILE HIGH – In April 2024, the mayor set a new goal beyond the House1000 initiative to increase the number of people brought indoors from unsheltered homelessness to 2,000 by Dec. 31, 2024. This new effort is known as “All in Mile High.”

EMERGENCY OPERATIONS CENTER

The Emergency Operations Center is the central location from which government leaders and Denver employees coordinate operations during an emergency or declared disaster. Before being activated to deal with the increase in migrants at the end of 2022, Denver’s Emergency Operations Center activated in 2020 and in 2021 to coordinate the city’s response to the COVID-19 pandemic.

⁸ Office of Emergency Management, “2022/2023 Migrant Sheltering Activation,” accessed Aug. 19, 2024, <https://denvergov.org/Government/Agencies-Departments-Offices/Agencies-Departments-Offices-Directory/Office-of-Emergency-Management/Emergency-Operations/2022-2023-Migrant-Sheltering-Activation>.

DEPARTMENT BUDGET AND STAFFING – As shown in Table 1, Housing Stability’s 2024 budget was \$48.2 million, with \$25 million of this — about 53% — intended to be used to support programs that expand opportunities for successful rehousing and address unsheltered homelessness.⁹

The department has 15 personnel dedicated to managing and supporting homelessness resolution out of a total of about 90 staff members.

TABLE 1. Department of Housing Stability budgeted expenditures and personnel, 2021 through 2024

	2021	2022	2023 Appropriated	2024 Recommended
Homelessness Resolution				
Budgeted expenditures	\$19,531,067	\$25,057,196	\$25,759,816	\$25,366,075
Personnel	14	34	16	15
Housing Stability				
Budgeted expenditures	\$92,108	\$294,274	\$610,718	\$12,638,469
Personnel	1	1	1	3
Housing Opportunity				
Budgeted expenditures	\$1,471,956	\$2,034,387	\$2,476,588	\$2,556,087
Personnel	14.8	19.5	19	18.2
Operations				
Budgeted expenditures	\$2,711,955	\$3,154,579	\$4,762,258	\$4,948,063
Personnel	18.3	21.3	31.6	32.9
Unsheltered Homelessness Response				
Budgeted expenditures	-	\$260,446	\$2,612,119	\$2,708,273
Personnel	-	-	21	21
Total expenditures	\$23,807,086	\$30,800,883	\$36,221,499	\$48,216,967
Total personnel	48.1	75.8	88.6	90.1

Note: Expenditures and personnel presented in this table represent the department’s previous organizational structure before changes were made in 2024, as discussed on page 2. Personnel are calculated as full-time equivalent staff, which includes part-time, seasonal, or on-call staff. Therefore, personnel numbers reflect hours worked by all staff on a 40-hour work week basis and do not represent individual people.

Source: Mayor’s 2023 and 2024 budgets.

⁹ City and County of Denver, “Mayor’s 2024 Budget,” accessed Aug. 31, 2024, https://denvergov.org/files/assets/public/v/3/finance/documents/budget/2024/2024-final-budget-book_ada-compliant_2-27-24.pdf.

FINDING 1 AND RECOMMENDATIONS

The Department of Housing Stability does not adequately ensure safety and compliance with nondiscrimination rules at shelters

The Department of Housing Stability is responsible for monitoring the nonprofits the city contracts with to run its homeless shelters. But we found the department did not ensure one shelter provider — the Salvation Army — had the required security measures in place.

We also found the department does not review the discrimination policies it collects from providers to ensure all required protected classes are included. Furthermore, most shelter providers' grievance policies only apply to employees, not the people the shelters serve.

The National Center on Family Homelessness, a project of the nonpartisan American Institute of Research, says that creating an emotionally and physically safe environment is essential in a service setting because people are not successful in environments where they do not feel safe, heard, and respected.¹⁰

The department did not ensure the Salvation Army fulfilled its security responsibilities at the former DoubleTree hotel shelter

According to its contract with Housing Stability, the Salvation Army was responsible for providing security cameras, system hardware, system monitoring, and security guards at the former DoubleTree hotel, a House1000 shelter now known as The Aspen.

But we found only a limited camera system was present in the converted hotel when the Salvation Army opened the shelter in early December 2023. And according to a representative from the city's Technology Services agency, the camera system at The Aspen was "on its last legs."

But by mid-March 2024 — more than three months into the contract — the Salvation Army had not installed additional cameras and no security guards were on-site. After the Salvation Army failed to secure the site, on March 16, 2024, two guests were shot and killed inside the shelter. Less than two weeks later, on March 27, 2024, after additional security was added, a third guest was shot but survived.

Following the first incident in March, the city took over security — installing 16 new cameras and funding the addition of seven security guards — one guard screening people entering the shelter and checking bags, four

¹⁰ Guarino, K., Soares, Pl, Konnath, K., Clervil, R., and Bassuk, E, "Trauma-Informed Organizational Toolkit for homeless services," The National Center on Family Homelessness, accessed July 16, 2024, https://www.air.org/sites/default/files/downloads/report/Trauma-Informed_Organizational_Toolkit_0.pdf, 31; "American Institutes of Research," accessed Sept. 17, 2024, <https://www.air.org/about>; "American Institutes of Research," accessed Sept. 17, 2024, <https://www.air.org/centers/national-center-family-homelessness>.

Three guests were shot and two were killed inside The Aspen shelter in March 2024.

monitoring the entrance and exits, one patrolling the area on foot, and one patrolling in a vehicle. However, the increased security still did not prevent the second incident two weeks later. After the second incident, the city took additional steps to secure the site including weapon searches of each room by police and Salvation Army staff.

The 16 new security cameras cost the city more than \$23,500 to purchase and install. The city plans to install an additional 140 cameras throughout The Aspen to cover all blind spots by November 2024.

From mid-March to mid-September 2024, the city has spent about \$1,019,000 on security guards at The Aspen shelter through its existing contract with Securitas Security Services, according to information provided by Housing Stability. Securitas Security Services had previously provided security guards at the Denver Coliseum emergency shelter during the pandemic. Since the city is paying for security at The Aspen, department staff said they plan to amend the contract with Salvation Army to remove the available security funding.

SECURITY RESPONSIBILITIES – For shelters in city-owned or leased buildings, the city is typically responsible for installing security equipment, such as cameras and hardware. In contrast, in provider-owned shelter facilities, the city is not usually responsible for any security measures. The city leased The Aspen until August 2024 when it purchased the building. However, in this case, the Salvation Army was responsible for providing all contract-required security measures.

According to Housing Stability staff, several additional factors influence security responsibilities at the city’s shelter sites including:

- The type of shelter.
- The number of people that will be served at the shelter.
- Whether the shelter will be used as an emergency severe weather shelter.

The Salvation Army contract specifically outlined the provider’s security-related responsibilities, including security cameras, security system monitoring, and security guards.

Housing Stability’s strategic plan, along with leading practices, emphasizes the importance of safety for people experiencing homelessness. The plan says that the department’s work is person-centered and trauma-informed.¹¹ According to The National Center on Family Homelessness, one of the principles of trauma-informed care is creating a physically and emotionally safe environment that meets basic needs, has safety measures, and includes staff who are consistent, predictable, and respectful.¹² The

¹¹ Department of Housing Stability. “Five-Year Strategic Plan” (September 2021), accessed Jan. 3, 2024, https://denvergov.org/files/assets/public/v/1/housing-stability/documents/housing/five_year_strategic_plan_final_091321.pdf, 1.

¹² Guarino, K., Soares, Pl, Konnath, K., Clervil, R., and Bassuk, E, “Trauma-Informed Organizational Toolkit for homeless services,” The National Center on Family Homelessness, (2009), accessed July 16, 2024, https://www.air.org/sites/default/files/downloads/report/Trauma-Informed_Organizational_Toolkit_0.pdf, 22.

Substance Abuse and Mental Health Services Administration also lists safety as a key principle of a trauma-informed approach saying it should be a high priority that staff and the people they serve feel physically and emotionally safe.¹³

Safety is a basic need “second only to food, water and shelter,” according to the National Health Care for the Homeless Council.¹⁴ Safety is important for people experiencing homelessness because they face daily challenges with violence, trauma, and meeting basic needs.

Additionally, the National Center on Family Homelessness created a self-assessment to help shelter providers use more trauma-informed practices. Trauma-informed practices recognize the effects of trauma on survivors and address the physical and emotional safety needs of people experiencing homelessness without retraumatizing them.¹⁵ The self-assessment is intended to be used by those serving people experiencing homelessness who are in shelters and housing programs.¹⁶ Specifically, the self-assessment requires shelter providers to evaluate whether they have taken certain steps to establish a safe physical environment. For example, the self-assessment asks:

- Does the shelter site have a security system?
- Do staff monitor who is coming in and leaving the shelter?
- Are areas inside and outside the shelter well lit?¹⁷

Many factors led to The Aspen shelter’s inadequate security

To understand what led to The Aspen shelter being poorly secured, we spoke with several Housing Stability staff and a representative of the Salvation Army. We also reviewed available documentation and department procedures for monitoring shelter operations.

We found that Housing Stability lacks a formalized, strategic approach to ensuring timely security measures are in place at the shelters it oversees. For example, program officers responsible for overseeing homeless shelters lack clear guidance on monitoring their assigned shelter providers, including the safety and security responsibilities of each provider. They also have less time for monitoring because staffing shortages have led to additional invoice review responsibilities.

Other factors such as the department and the Salvation Army having

¹³ Substance Abuse and Mental Health Services Administration, “SAMHSA’s Concept of Trauma and Guidance for a Trauma-Informed Approach” (2014), accessed July 16, 2024, <https://store.samhsa.gov/sites/default/files/sma14-4884.pdf>, 16.

¹⁴ National Health Care for the Homeless Council, “Creating a Culture of Safety: A Guide for Health Centers” (December 2017), accessed July 16, 2024, <https://nhchc.org/wp-content/uploads/2019/08/creating-a-culture-of-safety-at-health-centers.pdf>, 2.

¹⁵ Guarino, K., Soares, Pl, Konnath, K., Clervil, R., and Bassuk, E, “Trauma-Informed Organizational Toolkit for homeless services,” The National Center on Family Homelessness, (2009), accessed July 16, 2024, https://www.air.org/sites/default/files/downloads/report/Trauma-Informed_Organizational_Toolkit_0.pdf, 5.

¹⁶ Guarino, K., Soares, Pl, Konnath, K., Clervil, R., and Bassuk, E, 25.

¹⁷ Guarino, K., Soares, Pl, Konnath, K., Clervil, R., and Bassuk, E, 10.

different perspectives on the necessary security budget, as well as the speed with which the shelter needed to be opened, contributed to the shelter's inadequate security.

Even though we did not identify similar issues with the implementation of required security measures for the other seven shelters we reviewed, these security lapses could occur again if preventive measures are not used going forward.

MONITORING GUIDANCE AND APPROACH –

We found department program officers assigned to overseeing shelter providers lack clear, detailed procedures on which activities should be prioritized when monitoring shelter providers. Without formal guidance, each program officer has their own way of overseeing their assigned shelter providers.

SHELTER PROVIDERS

See [Appendix A](#) for more information on how we chose our sample of eight providers that operate shelters in the city.

For example, one program officer said their focus is on learning how the department can better support shelter staff while another program officer said their focus is on talking to people being served in the shelter.

Several program officers also said that during their quarterly shelter site visits they typically ask providers whether they have any safety concerns. But when we reviewed the site visit questionnaires provided, we found these issues were not consistently discussed. When safety and security was noted, the focus centered on substance abuse and overdose concerns.

However, the deaths at The Aspen shelter on March 16, 2024, happened before the program officer had conducted their first site visit.

Salvation Army staff said that in the days leading up to opening The Aspen shelter, conversations with their Housing Stability program officer focused on moving into the hotel and setting up their programs.

OTHER CONTRIBUTING FACTORS – According to Salvation Army staff, they discussed the security needs at The Aspen shelter with Housing Stability staff during contract negotiations in October 2023. Specifically, the Salvation Army representative said they would need, at minimum, a three-person security team on-site all day, every day, to cover the front and side entrances and patrol the building perimeter. The Salvation Army requested a security budget of \$890,000 but the final contract budget amount for security was \$807,000. We asked a representative from the Salvation Army how they calculated the security budget they requested from the city, but we never received a response.

According to Housing Stability staff, shelter providers have funding sources available to them outside of what the department provides. Therefore, if a provider believes the budget from the department is not enough to cover costs, it is the provider's responsibility to find other sources of funding.

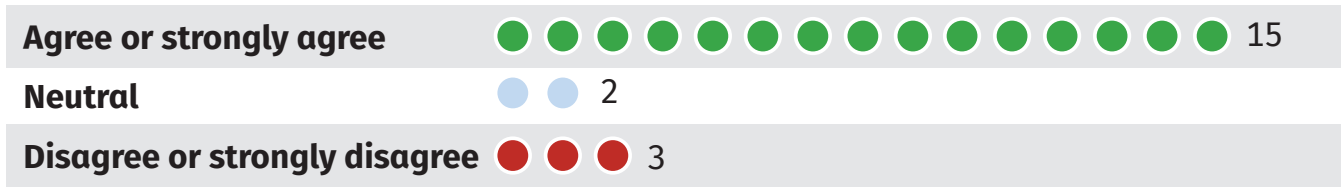
Additionally, Housing Stability staff said the speed at which The Aspen

shelter was opened overwhelmed them. As discussed on page 4, the mayor’s House1000 initiative required them to quickly establish eight new shelters, most of which were operating by the end of 2023.¹⁸

As shown in Figure 2, our survey of department staff with shelter-related responsibilities found 15 of 20 — or 75% — said citywide emergencies and mayoral initiatives impacted their ability to do their jobs.

FIGURE 2. Impact of emergencies and mayoral initiatives: “Indicate the extent to which you agree or disagree with the following statement.”

Citywide emergencies and mayoral initiatives impact my ability to do my job.



Source: Department survey responses and Auditor’s Office analysis of responses.

According to the U.S. Department of Housing and Urban Development, the physical design of a building can impact safety and require decisions that balance privacy, values, and safety.¹⁹ Many House1000 shelter sites were in buildings formerly used as hotels and were not designed to be shelters.²⁰

In January 2024, the Salvation Army began the process of hiring security services, but the contract had not yet been finalized. After the Salvation Army failed to secure the shelter, on March 16, 2024, two guests of The Aspen were shot and killed inside the shelter.

Housing and Urban Development says that people who experience homelessness may feel like the street is a better option than a shelter if they have felt unsafe and traumatized in them.²¹ These incidents likely traumatized shelter guests and could also have affected the engagement

¹⁸ City of Denver, “All in Mile High: One-Year Report 2024” (July 2024), accessed Aug. 27, 2024, <https://denvergov.org/files/assets/public/v/1/mayor/documents/programs-amp-initiatives/homelessness/aimh-report.pdf>, 6.

¹⁹ U.S. Department of Housing and Urban Development. “Emerging Practices to Enhance Safety at Congregate Shelters Part 2: Safe Physical Spaces” (August 2022), accessed July 16, 2024, <https://files.hudexchange.info/resources/documents/Emerging-Practices-to-Enhance-Safety-at-Congregate-Shelters-Part-2-Physical-Spaces.pdf>, 7.

²⁰ City of Denver, “All in Mile High: One-Year Report 2024” (July 2024), accessed Aug. 27, 2024, <https://denvergov.org/files/assets/public/v/1/mayor/documents/programs-amp-initiatives/homelessness/aimh-report.pdf>, 4.

²¹ U.S. Department of Housing and Urban Development, “Emerging Practices to Enhance Safety at Congregate Shelters Part 1: Operational & Administrative Rules” (August 2022), accessed July 16, 2024, <https://files.hudexchange.info/resources/documents/Emerging-Practices-to-Enhance-Safety-at-Congregate-Shelters-Part-1-Operational-and-Administrative-Rules.pdf>, 6.

and morale of shelter staff.²²

The National Health Care for the Homeless Council also says that quality of care is dependent on staff feeling safe and that when staff are overwhelmed, they may not be prepared to provide quality care to shelter guests.²³ A trauma-informed approach that centers on safety ensures that staff and the people being served experience the shelter as safe, inviting, and not a threat to their physical or emotional safety.²⁴

1.1

RECOMMENDATION

Develop a shelter security needs assessment

The Department of Housing Stability should consult with shelter providers to develop and document a shelter safety and security needs assessment that outlines the type of security measures that may be needed for different shelter types (e.g., congregate, non-congregate, micro-community), which includes considering the number and location of security personnel needed. This assessment should also show the approximate costs of these security measures. This assessment should be used in contract negotiations with shelter providers to ensure sufficient security measures are in place at all shelters. The assessment should be updated as needed, when circumstances or conditions change, such as new types of shelter or changes in security costs.

AGENCY RESPONSE – AGREE

HOST will be requiring that all shelter operators provide a security plan for each site that will be reviewed and approved or returned for modification by HOST staff. These plans will be submitted within 90 days of a signed contract and can be used for future contract negotiations.

— Department of Housing Stability

IMPLEMENTATION EXPECTED BY APRIL 1, 2025

1.2

RECOMMENDATION

Develop policies and procedures on shelter security monitoring

The Department of Housing Stability's Shelter and Stability Division should develop, document, and implement policies and procedures for monitoring shelter providers'

²² U.S. Department of Housing and Urban Development, 6; National Health Care for the Homeless Council, "Creating a Culture of Safety: A Guide for Health Centers" (December 2017), accessed July 16, 2024, <https://nhchc.org/wp-content/uploads/2019/08/creating-a-culture-of-safety-at-health-centers.pdf>, 2.

²³ National Health Care for the Homeless Council, "Creating a Culture of Safety: A Guide for Health Centers" (December 2017), accessed July 16, 2024, <https://nhchc.org/wp-content/uploads/2019/08/creating-a-culture-of-safety-at-health-centers.pdf>, 2.

²⁴ Substance Abuse and Mental Health Services Administration, "SAMHSA's Concept of Trauma and Guidance for a Trauma-Informed Approach" (2014), accessed July 16, 2024, <https://store.samhsa.gov/sites/default/files/sma14-4884.pdf>, 18.

implementation of required security measures. These policies and procedures should identify, at a minimum, the staff responsible for monitoring, expectations for when security measures should be implemented by, and steps for escalating matters to department leadership if delays occur to ensure the department can take timely action.

AGENCY RESPONSE – AGREE

HOST will develop, document and implement policies as described above.

— Department of Housing Stability

IMPLEMENTATION EXPECTED BY APRIL 1, 2025

Some shelter provider policies meant to prevent discrimination and address complaints are missing important elements

We found that several shelter providers' nondiscrimination policies collected by the Department of Housing Stability do not address all required protected classes. Also, most shelter providers' grievance policies applied only to employees, not the people the shelter providers serve.

Without policies that outline basic standards and processes for preventing discrimination, the department cannot ensure the people being served in city shelters are protected from discrimination and are aware of available grievance processes.

Nondiscrimination policies are not always comprehensive

We reviewed the employee handbooks and policies on preventing discrimination in employment and program assistance for all eight shelter providers in our sample.

Each department contract with a shelter provider includes language prohibiting the provider from acting against or withholding promotions or pay from employees and those receiving services based on that person's identification with a protected class.

Prohibiting discrimination in employment is also required by Executive Order No. 8, which is specific to the contract and procurement process.²⁵

Of the eight shelter providers we looked at, all had policies on preventing discrimination in employment. But only the Salvation Army's policy did not address all required protected classes.

SHELTERS

See Appendix A for a list of the eight providers we selected and how we selected them.

²⁵ Exec. Order No. 8, City and County of Denver (2020), accessed June 3, 2024, <https://www.denvergov.org/files/assets/public/v/4/executive-orders/documents/xo8-contracts-other-written-instruments-ccd.pdf>, 18.

The Salvation Army's employee handbook says the organization will follow discrimination law except when the law goes against its religious practice. However, this position does not comply with the requirement in the Salvation Army's contract with the city. It also fails to comply with one of the city's executive orders that requires agencies to determine whether a contractor has a diversity and inclusiveness program that "invites values, perspectives and contributions of people from diverse backgrounds, and integrates diversity into hiring and retention policies."²⁶ Agencies must also collect contractor's equal opportunity policies and the budget amount spent on workplace diversity.²⁷

However, when we looked at the other contract requirement — to prevent discrimination in program assistance to people being served — we found some shelter providers do not include all the required protected classes in their policies and others lacked formally documented nondiscrimination policies.

We found that five providers had no policies related to preventing discrimination in program assistance, two providers' policies were missing some protected classes, and one shelter provider included all but one protected class.

PROTECTED CLASSES

FOR EMPLOYMENT

Protected classes include race, color, religion, national origin, ethnicity, citizenship, immigration status, gender, age, sexual orientation, gender identity, gender expression, marital status, source of income, military status, protective hairstyle, and disability.

FOR PROGRAM ASSISTANCE

Protected classes include race, color, religion, national origin, ancestry, gender, age, sexual orientation, gender identity or gender expression, marital or domestic partner status, military status, military service, protective hairstyle, physical or mental disability, political beliefs or affiliation, familial or parental status — including pregnancy, medical condition, or genetic information.

Although the contract requirement does not specifically require providers to develop program assistance nondiscrimination policies, a department program officer said they have been collecting these policies from shelter providers since late 2022 or early 2023. As a result, all eight shelter providers lacked sufficient documentation of their efforts to prevent discrimination for those they serve.

Not only do the contracts with shelter providers prohibit them from

²⁶ Exec. Order No. 101A, City and County of Denver (2014), accessed June 3, 2024, <https://www.denvergov.org/files/assets/public/v/1/executive-orders/documents/101-diversity-and-inclusivity-in-solicitations.pdf>, 5.

²⁷ Exec. Order No. 101, City and County of Denver (2013), accessed June 3, 2024, https://www.artsandvenuesdenver.com/assets/doc/Diversity_and_Inclusiveness_in_City_Solicitations_Information_Request_Form-bdc7744009.pdf, 37-38.

discriminating against protected classes with regards to employment and the services they provide to people experiencing homelessness, but the city's Office of Social Equity & Innovation emphasizes the city's view, that "equity is when race and other social identities can no longer be used to predict life outcomes."²⁸

Grievance policies were inconsistently developed and rarely designed for shelter guests

We also reviewed the employee handbooks and grievance, or complaint, policies from Housing Stability staff for all eight shelter providers we looked at. Most shelter providers' grievance policies applied only to employees, not to the people shelter providers serve.

Only four of the eight provider contracts required the provider to have a grievance policy or to maintain a complaint log specifically for guests. Of those four, only one provider's policy applied to those they serve, the other three applied only to employees. Only one shelter provider developed a grievance policy for guests even though the contract did not require it.

But we were told the City Attorney's Office requires all shelter provider contracts that use federal funds to have a grievance policy or complaint log for the people they serve. A grievance policy or complaint log is not a Housing Stability contract requirement for every shelter provider.

When we asked Housing Stability staff why this policy is not included in all contracts, they said grievance policies are collected by staff for all shelter providers, regardless of whether the contract requires it.

Housing and Urban Development says shelters should have policies to identify and limit bias and discrimination.²⁹ Due to the power imbalance between staff and shelter guests, shelter guests may not feel comfortable disagreeing or speaking up to staff. A grievance policy gives shelter guests a way to report problems and concerns to shelter managers. Encouraging shelter guests to speak up removes some of the power imbalance and can help avoid conflict.³⁰ According to Housing and Urban Development, the shelter provider should give a written copy of the grievance policy and instructions, written in plain language for those with limited English skills, on how to report a grievance to all shelter guests and quickly address any issues that are submitted. This helps build trust between shelter guests and staff.³¹

²⁸ "Office of Social Equity & Innovation," City and County of Denver, accessed July 26, 2024, <https://www.denvergov.org/Government/Agencies-Departments-Offices/Agencies-Departments-Offices-Directory/Mayors-Office/Programs-and-Initiatives/Social-Equity-and-Innovation>.

²⁹ U.S. Department of Housing and Urban Development, "Emerging Practices to Enhance Safety at Congregate Shelters Part 1: Operational & Administrative Rules" (August 2022), accessed July 16, 2024, <https://files.hudexchange.info/resources/documents/Emerging-Practices-to-Enhance-Safety-at-Congregate-Shelters-Part-1-Operational-and-Administrative-Rules.pdf>, 8.

³⁰ U.S. Department of Housing and Urban Development, 15.

³¹ U.S. Department of Housing and Urban Development, 16.

Additionally, in a Housing Stability presentation delivered to Mayor's Office personnel in February 2024, department staff reported all shelter providers have internal complaint processes that:

- Identify and solve guest problems.
- Include complaint escalation steps.
- Describe warnings about following shelter rules and the consequences of not doing so.
- Discuss how decisions are made if asking a guest to leave.
- Detail the discharge, or exit, appeal process.

Despite this, we found only two of the providers in our sample had a grievance policy that applied to guests.

INSUFFICIENT DEPARTMENT PROCEDURES – Department leaders have not given program officers guidance on what they should focus on when overseeing shelter providers, particularly related to reviewing and overseeing nondiscrimination and grievance policies and processes. It is up to each program officer to prioritize their increasing workloads. Because of staffing challenges in other department divisions, the program officers are also reviewing shelter provider invoices, a time-consuming activity that is not normally part of their responsibilities.

As part of their normal duties, program officers are expected to visit each of their assigned shelters once a quarter and use a preprepared site visit questionnaire that covers a range of topics, such as:

- Does the shelter have a statement on justice, equity, diversity, and inclusiveness?
- How is the program ensuring underserved populations are equitably served?
- How do you ensure equitable access to services?
- How do you handle complaints and what is your grievance policy?

But based on our review of 19 site visit questionnaires across the eight shelters we examined, not all questions were asked at every visit and updates to the 2024 questionnaires we reviewed removed the requirement to collect grievance policies. We found questions related to nondiscrimination were skipped in all but four cases. We noted that only the first site visit of each year typically required program officers to collect grievance or complaint policies according to the questionnaire.

Seven of the 19 questionnaires we reviewed represented these beginning-of-the-year site visits. Of those, grievance or complaint policies were not requested in six of the seven questionnaires. Three of these six questionnaires were from 2024 and lacked the requirement to collect these policies. One program officer said they only ask the discrimination questions if they know of a recent problem at the shelter.

We were told Housing Stability staff also collected shelter providers' grievance policies during administrative reviews each year for providers

receiving federal funds, and every three years for providers receiving only local funds.

The site visit questionnaire requires program officers to collect and save shelter providers' equity, diversity, and inclusion statements, including grievance policies, but it does not instruct them to review those documents. Additionally, we were told the Housing Stability staff who collect grievance policies during administrative reviews have not been reviewing them.

In our review of other Housing Stability policies and procedures, we saw no clear guidance for program officers on what they were expected to do with shelters' nondiscrimination or grievance policies beyond simply collecting them.

One program officer said that because of the constant emergencies the department has faced, they have not been able to develop needed policies.

We saw additional evidence of this in our survey of department staff with shelter-related responsibilities. As shown in Figure 2 on page 10, 15 of 20 survey respondents — or 75% — said citywide emergencies and mayoral initiatives impacted their ability to do their jobs.

Without policies and procedures that outline expectations for how Housing Stability staff should oversee shelter providers' compliance with nondiscrimination and grievance process requirements, the department cannot ensure the people being served in shelters are protected.

In July 2023, the Denver Anti-Discrimination Office charged the Denver Rescue Mission for allegedly firing an employee due to their sexuality, religion, and disability.³² In September 2023, Catholic Charities of Denver asked a group of women over the age of 60 to leave the shelter over minor rule violations.³³ Without grievance policies, those being served in the city's shelters may not have a way to report concerns about discrimination or provide feedback to shelter providers.³⁴

If shelter guests experience discrimination or are unable to communicate

EQUITY, DIVERSITY, AND INCLUSION DEFINITION

The American Psychological Association says equity, diversity, and inclusion promotes fair treatment and full participation of all people, especially those who have faced discrimination due to their identity.

Nondiscrimination and grievance policies collected by Housing Stability staff were not reviewed.

³² Kyle Harris, "The Denver Rescue Mission fired an employee over his sexuality, religion and disability, according to legal complaints," The Denverite, July 10, 2023, accessed Nov. 28, 2023, <https://denverite.com/2023/07/10/the-denver-rescue-mission-fired-an-employee-over-his-sexuality-religion-and-disability-according-to-legal-complaints/>.

³³ Katie Langford, "Denver homeless advocates raise alarm on Catholic Charities shelter after women forced to leave," The Denver Post, Nov. 8, 2023, accessed Nov. 28, 2023, <https://www.denverpost.com/2023/11/08/samaritan-house-shelter-denver/>.

³⁴ U.S. Department of Housing and Urban Development. "Emerging Practices to Enhance Safety at Congregate Shelters Part 1: Operational & Administrative Rules" (August 2022), accessed July 16, 2024, <https://files.hudexchange.info/resources/documents/Emerging-Practices-to-Enhance-Safety-at-Congregate-Shelters-Part-1-Operational-and-Administrative-Rules.pdf>, 10.

complaints about services or treatment they receive, not only is the city not effectively serving this vulnerable population, but it could be exposed to reputational damage and legal risks.³⁵

1.3

RECOMMENDATION

Require grievance policies and reporting processes

The Department of Housing Stability should ensure that all contracts with shelter providers include requirements for a grievance, or complaint, process specifically for shelter guests. This can be accomplished by developing and documenting a standard contract or scope of work template that includes these elements as requirements, or by including these requirements in a formal department policy or procedure.

AGENCY RESPONSE – AGREE

HOST is requiring that all shelter operators submit grievance procedures within 90 days of having a signed contract. These will be approved by HOST staff or returned to the provider for modification. In addition, HOST is developing program standards for shelters that will provide guidelines on grievance procedures and reporting.

– Department of Housing Stability

IMPLEMENTATION EXPECTED BY APRIL 1, 2025

1.4

RECOMMENDATION

Develop nondiscrimination and grievance monitoring policies and procedures

The Department of Housing Stability’s Shelter and Stability Division should develop, document, and implement policies and procedures that identify the staff responsible for collecting and reviewing current and future shelter provider policies related to nondiscrimination and grievance processes, define how often these reviews should occur, and important content to be included in the shelter’s grievance policies.

AGENCY RESPONSE – AGREE

HOST will develop, document and implement policies and procedures as described above.

– Department of Housing Stability

IMPLEMENTATION EXPECTED BY APRIL 1, 2025

³⁵ Katie Langford, “Denver homeless advocates raise alarm on Catholic Charities shelter after women forced to leave,” The Denver Post, Nov. 8, 2023, accessed Nov. 28, 2023, <https://www.denverpost.com/2023/11/08/samaritan-house-shelter-denver/>; U.S. Department of Housing and Urban Development, “Emerging Practices to Enhance Safety at Congregate Shelters Part 1: Operational & Administrative Rules” (August 2022), accessed July 16, 2024, <https://files.hudexchange.info/resources/documents/Emerging-Practices-to-Enhance-Safety-at-Congregate-Shelters-Part-1-Operational-and-Administrative-Rules.pdf>, 10.

The Department of Housing Stability's Shelter and Stability Division should work with shelter providers to ensure they update their policies to incorporate nondiscrimination and grievance processes in compliance with contract terms.

AGENCY RESPONSE – AGREE

HOST will incorporate the appropriate language in our shelter program standards document described above.

— Department of Housing Stability

IMPLEMENTATION EXPECTED BY APRIL 1, 2025

FINDING 2 AND RECOMMENDATIONS

The Department of Housing Stability’s current approach for monitoring shelter provider spending is not effective

Not only is the Department of Housing Stability not tracking and documenting its overall shelter-related spending, but its processes for reviewing and approving provider invoices do not hold providers accountable for following contract requirements. Furthermore, we found the department is unable to ensure city funds are used appropriately.

The department is not tracking overall shelter-related spending

Although we asked Housing Stability multiple times for documentation identifying all shelter-related expenses from Jan. 1, 2022, through March 31, 2024, the department was unable to provide this information. Through our own analysis, we found Housing Stability spent nearly \$150 million during this period. Without regular tracking of the department’s overall spending on homeless shelters, the department cannot effectively monitor or enforce accountability for shelter spending.

In April and June 2024, Housing Stability presented Denver City Council with spending data going back to July 2023 for the mayor’s House1000 and All in Mile High initiatives.³⁶ But we could not find other instances of the department discussing overall shelter spending for the period we requested.

We identified Housing Stability’s overall shelter spending using available data

To determine how much Housing Stability spent on shelters from January 2022 through March 2024, we analyzed all invoices it paid during this time frame for shelter costs using specific tags in Workday, the city’s system of record.

These tags are assigned by city agencies to record key financial and operational information for transactions. By doing this, city agencies can use them to capture and analyze data to help track and report expenses.

But when we reviewed the data in Workday, we found shelter-related expenses with tags department staff had not identified. These expenses would not have been included in our estimate had we used only the

³⁶ “Safety, Housing, Education & Homelessness Committee – Meeting Date 4/3/2024,” Denver City Council Calendar tab, City and County of Denver, accessed July 11, 2024, <https://denver.legistar.com/Calendar.aspx> and https://denver.granicus.com/player/clip/16021?view_id=180&redirect=true; “Finance and Governance Committee – Meeting Date 6/18/2024,” Denver City Council Calendar tab, City and County of Denver, accessed July 11, 2024, <https://denver.legistar.com/Calendar.aspx> and https://denver.granicus.com/player/clip/16167?view_id=180&redirect=true.

guidance they provided.

We expanded our analysis to include all Housing Stability cost center tags and all nonmigrant program and external program tags that included “shelter” in the title to ensure our estimate included these additional expenses. We specifically excluded migrant shelters and their expenses because these were temporary shelters managed by a different city agency.

Overall, we found the department paid 1,599 invoices totaling about \$149.6 million dollars from January 2022 through March 2024 for nonmigrant shelter-related expenses.

We did not determine the reliability of Workday data supporting these invoice transactions, and there may also be a small number of expenses paid by the department through processes not requiring an invoice. However, based on our review of Workday data and department practices for reviewing and approving shelter-related expenses, we consider this a reasonable estimate of Housing Stability’s spending on nonmigrant shelters during this period.

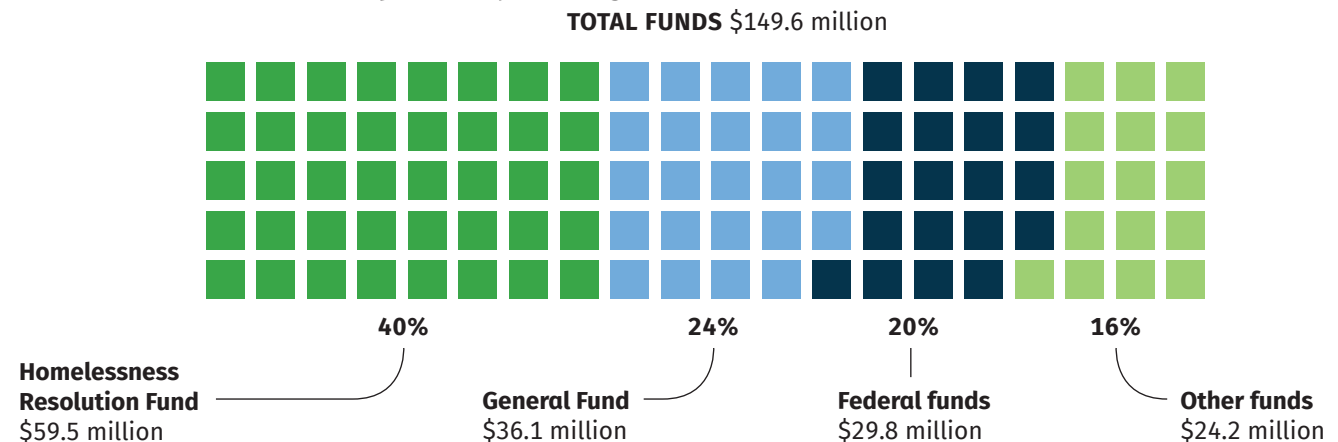
As shown in Figure 3, the department used multiple funding sources to pay for shelter-related expenses.

HOW THE DEPARTMENT PAYS SHELTER PROVIDERS

While there are multiple contract types used by the Department of Housing Stability to support services at shelter locations, providers in Denver typically operate under “cost-reimbursement” contracts. This contract type allows providers to support shelter operations using their own funds to pay for goods and services that are allowable within the contract budget and submit an invoice for reimbursement to cover those costs.

We estimate \$149.6 million dollars was spent on shelter expenses from January 2022 through March 2024.

FIGURE 3. Shelter-related expenses by funding source



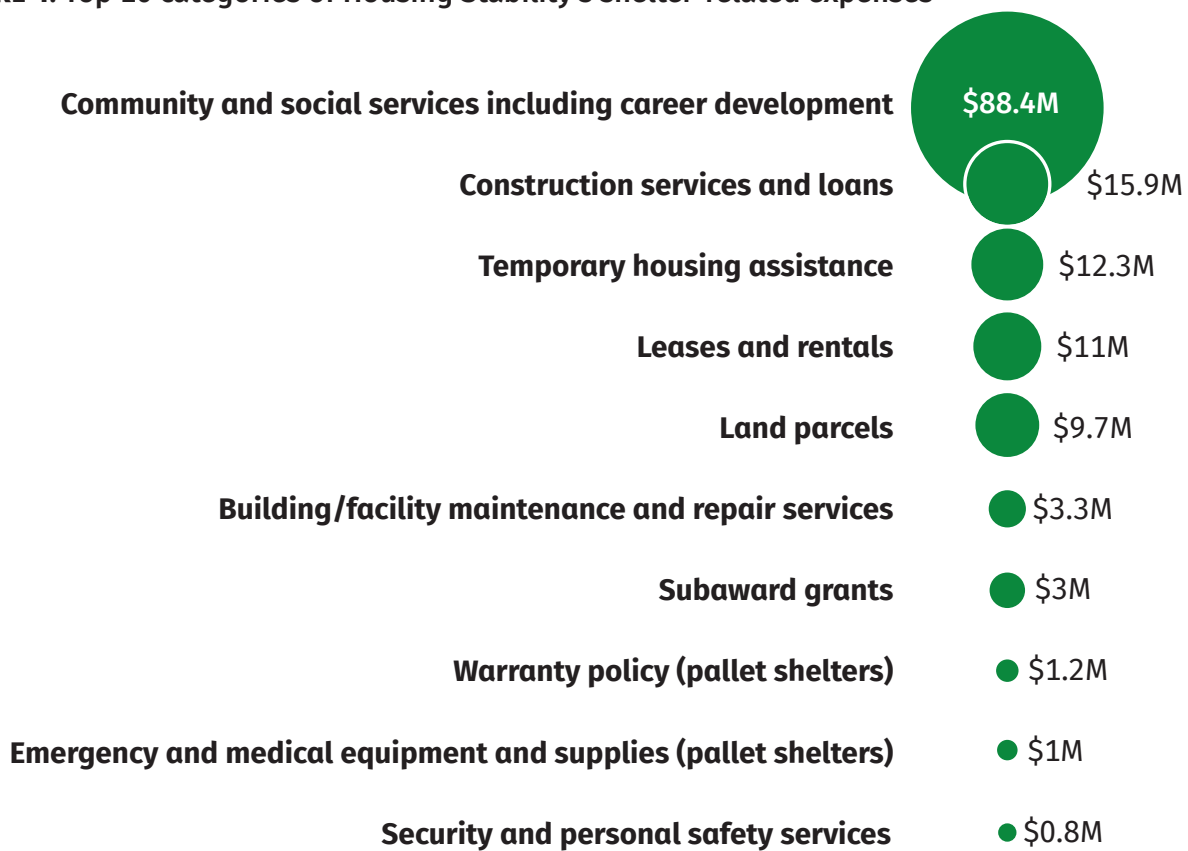
Source: Auditor’s Office analysis of Workday data.

Figure 3 shows the Homelessness Resolution Fund accounted for the largest amount, about \$59.5 million dollars. This fund was approved by Denver voters through a sales tax increase of 0.25% in November 2020.³⁷

Most of the spending associated with the “other funds” category, about \$24.2 million dollars, used funds from the Rebuilding for an Inclusive and Sustainable Economy (RISE) Denver General Obligation Bond approved by Denver voters in November 2021.³⁸

Figure 4 shows the top 10 categories of shelter-related expenses with the largest amount, about \$88.4 million dollars, going toward community and social services, which includes most of the day-to-day operational costs of shelters across the city.

FIGURE 4. Top 10 categories of Housing Stability’s shelter-related expenses



Note: Almost \$2.2 million dollars was paid for pallet shelters under two unrelated categories.

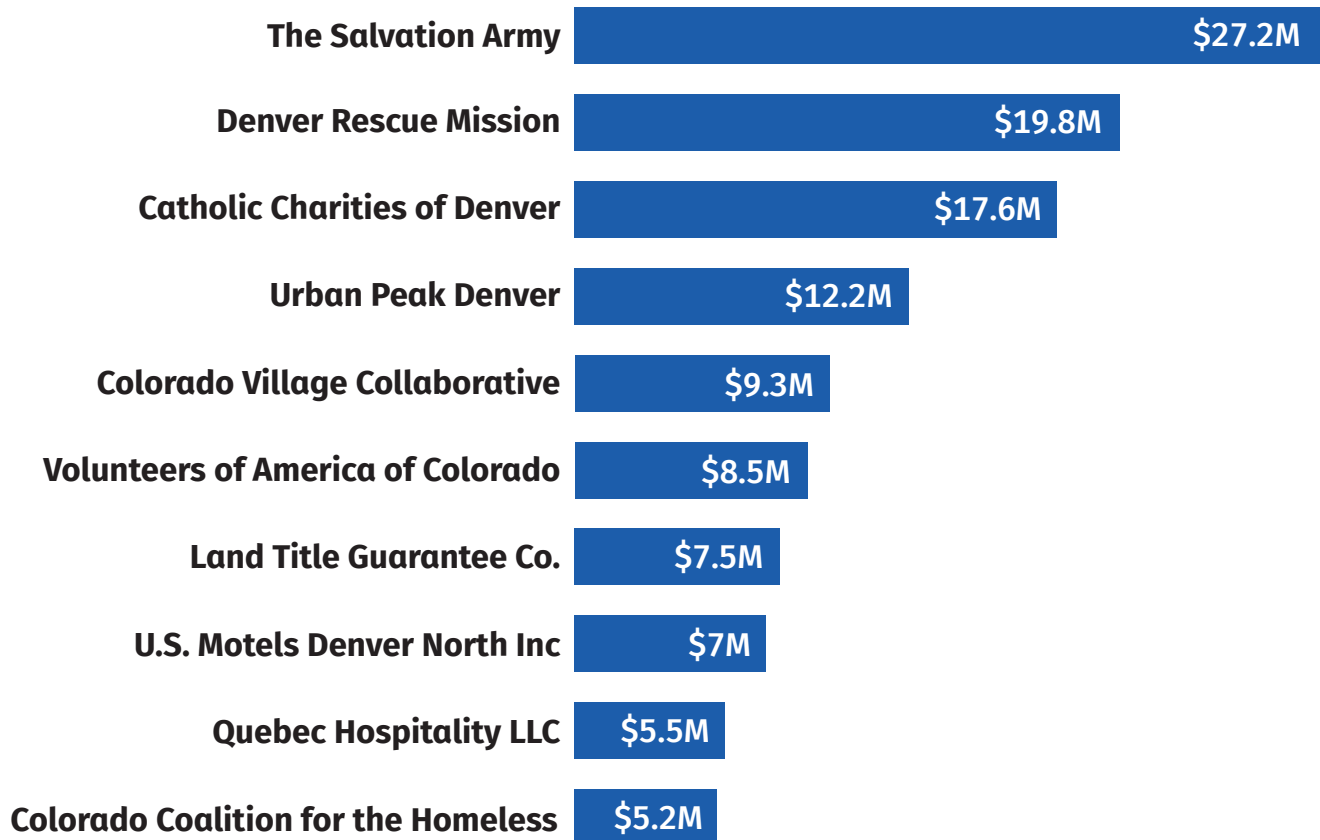
Source: Auditor’s Office analysis of Workday data.

³⁷ “Homelessness Resolution Funding Passed by Denver Voters,” Department of Housing Stability webpage, City and County of Denver, accessed Aug. 12, 2024, https://denvergov.org/Government/Agencies-Departments-Offices/Agencies-Departments-Offices-Directory/Department-of-Housing-Stability/News/Homelessness-Resolution-Funding-Passed-by-Denver-Voters?lang_update=638401045494975712.

³⁸ “2021 RISE Denver GO Bond,” General Obligation Bond Programs webpage, City and County of Denver, accessed Aug. 7, 2024, <https://denvergov.org/Government/Citywide-Programs-and-Initiatives/GO-Bonds/2021-RISE-Denver-GO-Bond>.

Additionally, Figure 5 shows the top 10 contractors by expenses. The Salvation Army received the largest amount, about \$27.2 million, for their shelter-related expenses from Jan. 1, 2022, through March 31, 2024.

FIGURE 5. Top 10 recipients of department shelter spending



Note: The Land Title Guarantee Co. expenses were to buy a shelter at 4600 E. 48th Ave. The Quebec Hospitality LLC expenses are for leasing the Comfort Inn at 4685 Quebec St. The U.S. Motels Denver North Inc expenses are for severe weather and emergency shelter rooms at the Super 8 at 5888 Broadway and the Comfort Inn at 401 E. 58th Ave.

Source: Auditor's Office analysis of Workday data.

We also learned the department does not have formal, documented processes to routinely identify and track these overall expenses. Without them, the department will have difficulty meeting its expressed goal, shared with the City Council, of effectively monitoring shelter spending to ensure contract budgets and expenses are appropriate based on the services being provided.

Additionally, accountability and transparency are key elements of the mayor's 2024 budget's strategic framework for the city to be more open, accountable, and accessible to residents with information about how funds are being spent so that residents can hold decision-makers accountable.³⁹

³⁹ City and County of Denver, "Mayor's 2024 Budget," accessed Aug. 31, 2024, https://denvergov.org/files/assets/public/v/3/finance/documents/budget/2024/2024-final-budget-book_ada-compliant_2-27-24.pdf.

The Government Finance Officers Association says regular, comprehensive monitoring of budgets, including comparing them to actual expenses, can help enforce accountability for spending and support transparency with the public.⁴⁰

Furthermore, without monitoring, Housing Stability cannot evaluate the services provided, ensure new initiatives are making expected progress toward goals and expectations, and learn more about trends and deviations that may impact future operations as recommended by these leading practices.

2.1

RECOMMENDATION

Routinely track all shelter-related expenses

The Department of Housing Stability should develop and implement a formal, documented process to routinely track and document its overall shelter-related expenses.

AGENCY RESPONSE – AGREE

HOST will continue to track all expenses from the HOST budget, shelter-related and otherwise. HOST uses workday tags for tracking program costs, which include 24/7 Shelter, Day and Overnight, among other categories, and have added AIMH specific tags to track shelter and shelter-related expenses.

— Department of Housing Stability

IMPLEMENTATION EXPECTED BY DEC. 31, 2024

Housing Stability did not ensure shelter providers stuck to their spending-related contract requirements

Housing Stability's invoicing practices prevent the department from consistently holding providers accountable for their use of city funds. These practices reduce transparency and limit its ability to inform city officials and the public about the impact of shelter-related spending.

To evaluate shelter providers' compliance with contract terms, we reviewed 40 invoices and identified several issues with invoices that had been approved by department reviewers.

⁴⁰ "Budget Monitoring," Best Practices webpage, Government Finance Officers Association (March 2018), accessed May 1, 2014, <https://www.gfoa.org/materials/budget-monitoring>; "Public Engagement in the Budget Process," Government Finance Officers Association (September 2018), accessed July 15, 2024, <https://www.gfoa.org/materials/public-engagement-in-the-budget-process>.

For example, half of the 40 invoices from our sample did not meet one or more requirements specifically detailed in the invoicing requirements section of the contracts. Furthermore, 15 invoices — about 38% — did not meet one or more of the requirements listed in the reimbursement requirements portion of the contracts.

We determined that shelter providers commonly demonstrated compliance issues in three main areas:

- Invoice timeliness.
- Allowable costs.
- Supporting documentation.

INVOICE TIMELINESS – While specific language may vary between contracts, each shelter provider’s contract generally contains two deadlines that must be followed when submitting invoices for reimbursement:

- On or before the 15th of each month following the month services were provided.
- Within 30 days of the actual service, expenditure, or payment of expense.

Based on these requirements, more than half of the invoices we reviewed were late according to contract terms. Of the 40 invoices, 22 — or 55% — were submitted later than the 15th day of the month after the month the expense occurred and 12 — or 30% — were submitted after the 30-day deadline for requesting reimbursement.

Additionally, 13 invoices — about 33% — included reimbursement requests for costs that occurred before the month that appeared on the invoice, meaning the cost occurred well before the 30-day deadline for reimbursement. For example, one invoice covering costs from August 2023, submitted in October 2023, included reimbursement requests for 79 items purchased from January through July the same year.

When we asked department staff about late invoices, they said that as long as invoices were submitted within the contract period — which may be a full year or longer — they would reimburse the provider for allowable costs. But they also said it was best practice for providers to submit monthly invoices for costs incurred in the previous month.

By allowing staff to operate without regard for contract terms, the Department of Housing Stability is unable to hold providers accountable for their use of city funds and may be creating an environment where staff disregard other essential financial controls.

ALLOWABLE COSTS – Included in the cost-reimbursement contracts between the city and shelter providers are budgets with specific categories of

MORE ON OUR ANALYSIS

We reviewed 40 invoices from January 2022 through March 2024, which accounted for approximately \$5.4 million in shelter-related spending. See Appendix B for more on our sampling and methodology.

Half of the invoices we evaluated did not meet one or more contract requirements.

allowable expenses and the maximum reimbursement for each category during the contract period. While each contract varies, common categories can include shelter employee salaries, meals for clients, program supplies, and security costs.

While only one of the 40 invoices we looked at included a reimbursed cost that was not allowable under the category reported by the provider, we identified two other invoices that included multiple reimbursements for the same cost.

One of these invoices, submitted by a shelter provider in December 2023, listed two identical Amazon transactions more than once. Because invoice reviewers did not notice the repeated transactions, the department reimbursed the provider for the same purchase more than once and in excess of the actual cost the provider incurred.⁴¹ A separate invoice, submitted by a provider in January 2024 included one transaction that the department had already reimbursed in December 2023.⁴²

Although these reimbursements for unallowable costs on invoices from our sample involved small dollar amounts, it demonstrates the department's lack of sufficient policies and procedures for review processes and an inability to hold shelter providers accountable for contract terms and use of public funds.

SUPPORTING DOCUMENTATION – For the department to reimburse shelter-related costs under a provider's contract, supporting documentation for each transaction must be submitted with the invoice. Typically, the contract requires this documentation to be a vendor's receipt for the goods or services that were purchased, and includes the following details:

- Specific goods or services purchased.
- Delivery address and verification that goods or services were received.
- Proof of payment from the shelter provider to the vendor.

38% of invoices lacked the necessary documentation to support transactions the department reimbursed.

The city's Fiscal Accountability Rules require the department to collect documentation from providers that meet these requirements so the city's system of financial record, Workday, is accurate and comprehensive.⁴³ Including sufficient supporting documentation for shelter-related costs ensures that the department and its providers are held accountable for their use of city funds to support contract objectives.

But of the 40 invoices we reviewed, 15 of them — or 38% —lacked the necessary documentation to support transactions the department

⁴¹ We calculated the actual cost of Amazon purchases tied to these receipts to be \$466.53. Due to the duplicate reimbursement request, the department reimbursed the provider an additional \$265.05, for a total of \$731.58.

⁴² The department reimbursed a \$12.95 fee twice, for a total of \$25.90.

⁴³ City and County of Denver, Fiscal Accountability Rules, "Supporting Documentation" (last revised 2013), accessed March 06, 2024, https://www.denvergov.org/files/assets/public/v/1/finance/documents/fiscal-accountability/chapter-2-internal-controls/rule_2_5_supporting_documentation.pdf; "Supporting Documentation Guide" (July 2013), accessed May 24, 2024, https://denvercity.sharepoint.com/sites/Finance/Financial%20Forms/Fiscal_Accountability_Forms_And_Procedures/Guide_2_5_Spt_Documentation.pdf.

reimbursed. Furthermore, six invoices – or 15% – lacked the necessary documentation to support shelter employee wages that were reimbursed.

To determine cost allowability, we used the Department of Housing Stability’s internal Salesforce platform, which retained all invoices, and reviewed the relevant supporting documentation.

We learned that a complicating factor for invoice review processes, including the review of supporting documentation, is the type and format of documentation submitted by providers to support costs. Even when providers submit the necessary documentation for reimbursement, it may be in a format that cannot be easily processed and reviewed by department staff.

For example, the invoices we reviewed typically included a PDF with hundreds of costs for reimbursement on a single invoice. Listing financial data on a PDF does not allow for reviewers to quickly or accurately verify that all costs add up appropriately and that duplicate requests were not made.

By not ensuring providers submit the necessary documentation to support each transaction in a format that can be easily processed, the department may be reimbursing unallowable costs and is therefore unable to hold providers accountable for contract requirements and proper use of city funds.

Housing Stability does not have the necessary policies and procedures, staff, and systems for invoice review

We found three issues preventing the department from holding providers accountable for contract terms and use of city funds:

- Insufficient or lacking policies and procedures.
- Insufficient staffing levels.
- An outdated accounts payable system.

POLICIES AND PROCEDURES – Housing Stability’s invoice review policies and procedures are vague and lack clear and sufficient guidance for staff performing the responsibilities. Specifically related to invoice timeliness, the policy only requires that finance staff ensure the date the invoice was received was noted by the provider, with no additional guidance for what steps should be taken when it is received late.

The policy also does not include any guidance for reviewing cost allowability and only provides a list of examples for supporting

SUPPORTING DOCUMENTATION IN WORKDAY

Even though Workday is the city’s system of record, nearly all the 40 invoices we looked at did not have the necessary documentation in Workday to support shelter providers’ costs. See our discussion on the accounts payable system on page 29 for more information.

documentation. Additionally, the policy does not outline key invoice review activities that staff may need to perform, such as verifying funds available for reimbursement, reviewing budget narratives, and verifying that costs are not being reimbursed more than once for the same transaction.

In 2024, because of staffing levels, department staff said they stopped using some job-aids, meant to provide additional review guidance. For example, finance staff used to have a tracker that documented reimbursement amounts across all budget categories for the entire contract year so that the department did not reimburse providers over contract limits. Department staff said they also used to have a checklist that required reviewers to sign off on key review steps.

Policies and procedures are guardrails that help departments operate efficiently, effectively, reliably, and in compliance with laws and regulations.⁴⁴ A well designed policy and procedures manual should list key activities with a practical, step-by-step explanation of how procedures are performed so that employees completing the work have a thorough understanding of requirements.⁴⁵

To determine the effect of insufficient policies and procedures on staff’s ability to operate in their role, we surveyed staff from the Operations and Impact Division, which includes the finance team responsible for reviewing invoices and supporting documentation. We received six replies. All said insufficient policies had an impact on their ability to fulfill their responsibilities.

STAFFING LEVELS – The lack of sufficient policy and procedures is further problematic considering the department’s ongoing staffing issues. From October 2021 through June 2024, Housing Stability’s Operations and Impact Division had an average staff vacancy rate ranging from 18% to 22%. The vacancy rate peaked in April 2024 at 36%, as shown in Figure 6 on the next page.

**EMPLOYEE SURVEY
METHODOLOGY**

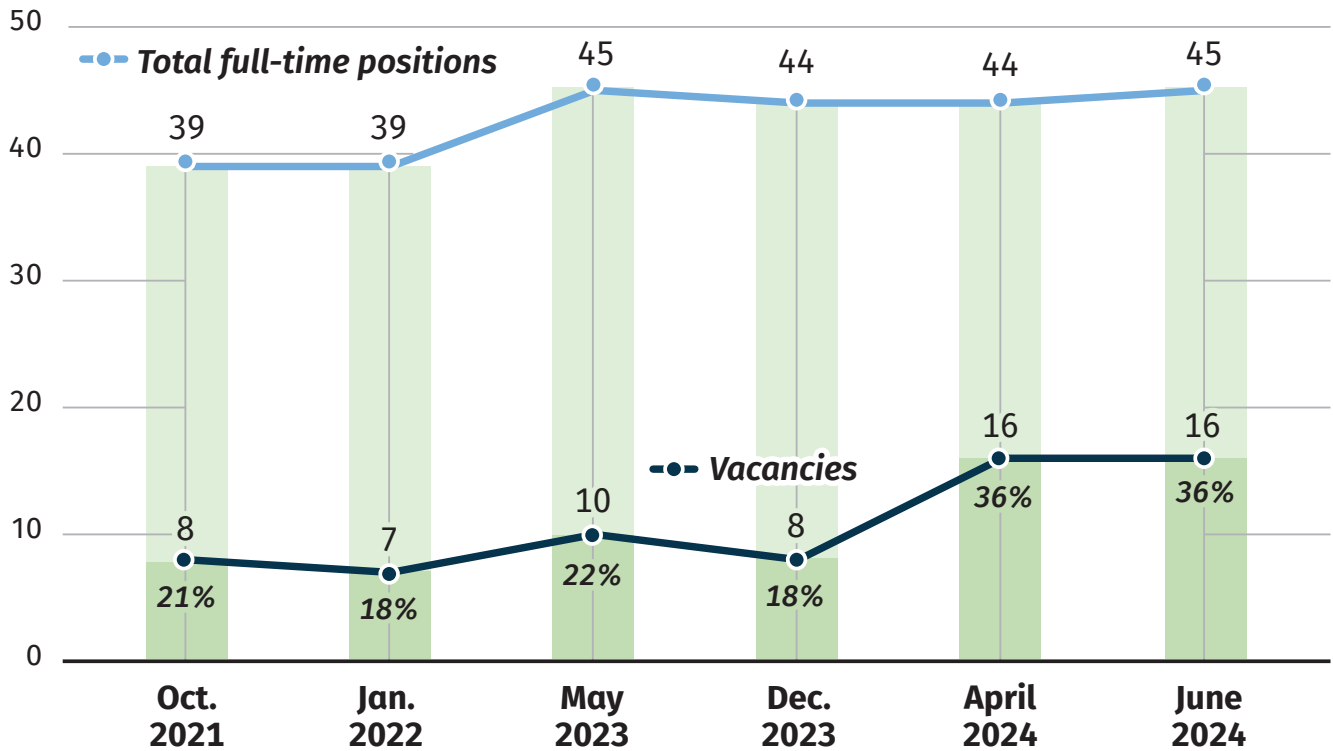
See Appendix C for more information on our methodology for surveying department staff.

Within the finance team specifically, the vacancy rate followed a similar trend increasing from 19% in October 2021 to 39% in June 2024. Ultimately, fewer staff available to perform invoice reviews in 2024 led the department to assign review tasks to program officers and managers, who are not in the finance team or Operations and Impact Division and who had not previously been responsible for invoice reviews.

⁴⁴ U.S. Government Accountability Office, GAO-14-704G, “Standards for Internal Control in the Federal Government” (2014), accessed Aug. 14, 2024, <https://www.gao.gov/assets/670/665712.pdf>.

⁴⁵ “Policies and Procedures Documentation,” Best Practices webpage, Government Finance Officers Association, (October 2021), accessed May 31, 2024, <https://www.gfoa.org/materials/policies-and-procedures-documentation>.

FIGURE 6. The Operations and Impact Division’s staffing vacancies over time



Source: Auditor’s Office analysis of Housing Stability’s organizational charts.

We reviewed a one-time invoice review training provided to program officers and found that while it expanded on the existing policies and procedures by offering additional examples of acceptable supporting documentation, it still lacked step-by-step review processes. A program officer responsible for conducting invoice review said that after the training, they were not provided with formal, documented policies and procedures outlining all required tasks.

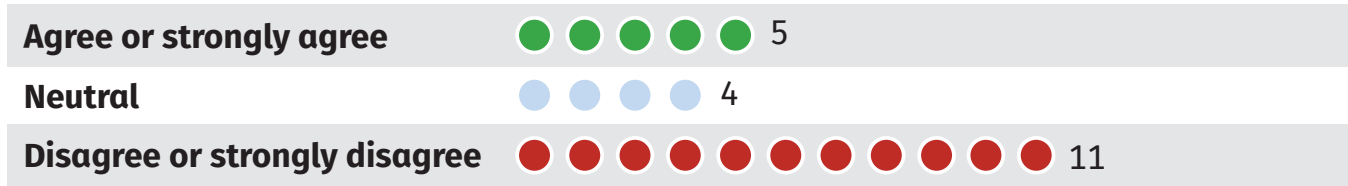
We also surveyed department staff to determine the extent to which training was sufficient for their job responsibilities. As shown in Figure 7 on the next page, of the 20 respondents, 11 – or 55% – said they did not receive adequate training when they began their current roles.

PREVIOUS AUDIT RECOMMENDATION

In our 2019 Homeless Services audit, we recommended that Denver’s Road Home, the city team responsible for homeless services, conduct a staffing analysis. The following year, the mayor created the Department of Housing Stability by moving Denver’s Road Home and the city’s affordable housing staff from their respective departments into the new one. Despite this organizational change, our staffing analysis recommendation still applies. When we conducted our follow-up in February 2022, the department had partially implemented the recommendation, but no staffing analysis had been completed.

FIGURE 7. Adequacy of job training: “Indicate the extent to which you agree or disagree with the following statement.”

I received adequate training on my job duties when I began my current position.



Note: Department staff from several divisions responded to this survey question. Therefore, their responses may be related to invoice review-related training or other job-related training. See [Appendix C](#).

Source: Auditor’s Office analysis of survey responses from department staff.

Additionally, seven staff – or 35% – said that they do not receive adequate ongoing training to be successful in their roles.

By giving invoice review responsibilities to program officers and allowing current finance team staff to conduct reviews without sufficient policies and procedures and personnel, Housing Stability is unable to effectively hold shelter providers accountable for contract requirements and cannot ensure public funds are appropriately spent.

ACCOUNTS PAYABLE SYSTEM – We found that the city’s system of record, Workday, did not contain most of the necessary documentation to support shelter providers’ invoices.

The city’s Fiscal Accountability Rules say the Department of Housing Stability is responsible for using Workday as the official system of record to store invoices and supporting documentation.⁴⁶ But agency guidance from the Department of Finance limits the size of documents that can be uploaded to no more than 20 pages per invoice. While accounts payable staff from Finance said that 20 pages should be sufficient to support all costs on an invoice, our review of Housing Stability’s invoice supporting documentation determined otherwise.

For almost all the 40 invoices we sampled, the supporting documentation in Workday did not have enough information to support the costs reimbursed by the department. We found that copies of provider invoices stored outside the system of record, in Salesforce, typically contained more of the necessary documentation to support shelter costs.

The reason Department of Finance staff give for only allowing 20 pages of supporting documentation is because Kofax, the accounts payable system, is outdated. Kofax stores invoices before they are entered into Workday.

⁴⁶ City and County of Denver, Fiscal Accountability Rules, “System of Record” (last revised 2024), accessed Aug. 19, 2024, https://www.denvergov.org/files/assets/public/v/2/finance/documents/fiscal-accountability/chapter-1-accounting-principles-and-budget-administration/rule_1_2_system_of_record.pdf.

But due to the age of the system and other technological constraints, a large invoice file can drastically slow the system down and interrupt city wide invoice submission processes.

The city is planning to replace Kofax by the end of 2024 with a system called ImageTrust. As of June 2024, Department of Finance staff did not know whether the new system would allow for more than 20 pages of supporting documentation.

Although we were able to use Salesforce to find supporting documentation, the Department of Finance's 20-page policy limits Housing Stability's, and potentially other agencies', ability to ensure the use of public funds are transparent and adequately supported in the official system of record, Workday.

2.2

RECOMMENDATION

Develop comprehensive invoicing procedures

The Department of Housing Stability's Operations and Impact Division should review existing staff guidance on invoicing processes (e.g., accounts payable guide, invoice submission guide, voucher checklist, program staff grant training, etc.) and develop one centralized and comprehensive procedures manual for staff with invoice review responsibilities. The new procedures should include specific step-by-step guidance for how to complete invoice reviews.

AGENCY RESPONSE – AGREE

HOST will consolidate the existing documents (e.g., accounts payable guide, invoice submission guide, voucher checklist, program staff grant training, etc.) into a centralized document.

— Department of Housing Stability

IMPLEMENTATION EXPECTED BY JUNE 30, 2025

2.3

RECOMMENDATION

Update invoicing procedures

The Department of Housing Stability's Operations and Impact Division should work with the Department of Finance to understand when the new accounts payable system will be implemented. After the system is implemented, the department should update its invoice review procedures and guidelines on how much supporting documentation should be uploaded to Workday to ensure it contains all necessary supporting documentation to support shelter provider spending, and the circumstances under which an invoice should be rejected because of insufficient supporting documentation.

AGENCY RESPONSE – AGREE

The Kofax 20-page limitation is no longer an issue due to a change in process from the City Department of Finance, effective September 30, 2024. HOST will incorporate the new City Department of Finance procedures into the centralized invoice procedure document outlined in Recommendation 2.2.

— Department of Housing Stability

IMPLEMENTATION EXPECTED BY DEC. 31, 2024

2.4

RECOMMENDATION

Review shelter provider invoice submission guidelines

The Department of Housing Stability’s Operations and Impact Division should coordinate with the Shelter and Stability Division to review and refine existing shelter provider invoice submission guidelines (e.g., welcome package) to ensure providers submit sufficient, concise, and uniform supporting documentation for streamlined review processes, such as:

- Formatted excel summary and expense certification sheets.
- Payroll and benefit documents only relating to necessary employees.
- Digital or legible scans of expense receipts that are ordered based on summary sheets.

AGENCY RESPONSE – AGREE

HOST will continue to refine the existing invoice submission requirements with partners and incorporate the appropriate information into HOST welcome packets and communicate the same process with existing provider partners.

— Department of Housing Stability

IMPLEMENTATION EXPECTED BY JUNE 30, 2025

2.5

RECOMMENDATION

Conduct a staffing analysis

The Department of Housing Stability’s Operations and Impact Division should assess current staffing levels and structure to ensure the division has sufficient staff to review supporting documentation from shelter providers and monitor the review process. This assessment should be documented.

AGENCY RESPONSE – AGREE

HOST Executive Leadership will assess current staffing levels and staffing structures to determine how to maximize coverage and efficiency.

– Department of Housing Stability

IMPLEMENTATION EXPECTED BY JUNE 30, 2025

2.6

RECOMMENDATION

Recruit staff to fill vacancies

After completing the staffing assessment outlined in Recommendation 2.5, the Department of Housing Stability should work with the Department of Finance to implement any necessary changes including filling vacancies and additional positions, as needed.

AGENCY RESPONSE – AGREE

HOST has remediated some of the auditor’s concerns already since this audit has been concluded. The department has hired key positions and has additional positions in the process of hiring. HOST will continue to work with DOF and OHR to fill positions and leverage resources to recruit and to retain top talent.

– Department of Housing Stability

IMPLEMENTATION EXPECTED BY JUNE 30, 2025

Housing Stability’s new cost-reimbursement policy will further weaken its ability to effectively monitor shelter provider spending

In January 2024, Housing Stability created a new policy called “focused cost reimbursement,” which reduced the amount of supporting documentation shelter providers had to submit with invoices associated with city funded contracts. Guidance for contracts that receive federal dollars was unaffected.

Not only is this new policy not consistent with the city’s Fiscal Accountability Rules and shelter provider contract requirements, inadequate communication from department staff to shelter providers about the new policy also caused confusion and delays with invoice submittals.

We identified the first references to this new policy in provider contracts that were signed in October and November 2023, even though the department’s policy was not effective until January 2024. We also reviewed additional documentation showing that shelter providers were

not notified of the new policy until March 2024. In our review of the new requirements, we found shelter providers did not have to submit supporting documentation previously required for goods and services expenses that would help comply with the city's fiscal rules and contract terms on reimbursement requirements. Specifically, providers no longer had to provide original receipts, invoices, or credit card statements. Fiscal rule supporting guidance says these documents are necessary.⁴⁷

We also found providers were not required to provide documentation to verify receipt of goods and services such as signed, dated proof of receipt and copies of checks or accounts payable ledgers to show payment was made in accordance with contract requirements.

Along with these new requirements to submit less invoice supporting documentation, shelter providers were instructed to retain all records and invoice documentation, so it was available upon request for potential checks or "audits." However, what this supporting documentation should include was not clearly documented in the new policy or amended contracts. In our analysis of nine invoices submitted to the department by three shelter providers in April and May 2024, it appeared that some providers did not understand the new expectations.

MORE ON OUR ANALYSIS

To gauge how shelter providers are implementing the new cost-reimbursement policy, we selected three shelter providers that were likely subject to the new policy because they were funded only by the city. We searched Workday to obtain a list of high dollar amount and active contracts. After confirming which contracts were subject to the new policy, we collected invoices submitted from April through June 2024 to ensure the new policy applied to the invoices. In all, we reviewed nine invoices from three shelter providers to determine whether new invoice supporting documentation requirements were being met.

We found two providers' invoices included large amounts of detailed supporting documentation similar to what they were submitting before the new policy was implemented. Staff from one of these shelter providers told the department in early May 2024 that a lack of communication, clarification, and training on the new expectations were reasons for their delay in determining what they should submit with their invoices.

Housing Stability staff explained that their reasoning for adopting the new policy was because of the large amounts of documentation submitted with invoices, the increased number of invoices and contracts, and staffing vacancies.

As discussed on [page 27](#), since January 2024, staffing vacancies have affected the finance team's ability to review large amounts of invoices and supporting documentation in a timely manner.

⁴⁷ City and County of Denver, Fiscal Accountability Rules, "Rule 2.5 – Supporting Documentation" (last revised 2013), accessed March 8, 2024, https://www.denvergov.org/files/assets/public/v/1/finance/documents/fiscal-accountability/chapter-2-internal-controls/rule_2_5_supporting_documentation.pdf.

But as discussed on page 27, we also found department staff were not consistently enforcing contract requirements and agency expectations to help ensure providers submitted only the supporting documentation necessary to enable the efficient and accurate review and approval of expenses.

According to the Government Accountability Office, cost-reimbursement contracts, such as those established between Housing Stability and shelter providers, are suitable when costs cannot be accurately estimated.⁴⁸ The Government Accountability Office also says these types of contracts should involve significantly more government oversight, which could result in additional administrative costs for staff to monitor these contracts and provide reasonable assurance that efficient methods and effective cost controls are used.

Housing Stability's implementation of this new policy runs counter to this guidance and reduces the routine oversight over these higher risk contracts.

Furthermore, by not maintaining processes to require adequate invoice supporting documentation to support shelter expenses requested for reimbursement, the department is not able to effectively ensure all shelter costs are allowable and effectively monitor costs to determine if they are appropriate and necessary to meet the agency's goals and objectives.

Finally, without sufficient documentation to support expenses, Housing Stability staff are not able to effectively identify instances where contract budgets are insufficient, or excessive, due to uncertainties with shelter operations that may require budgets to be adjusted in future contracts.

2.7

RECOMMENDATION

End the new cost-reimbursement policy

Department of Housing Stability leaders should end the focused cost-reimbursement policy and improve the department's invoice review and approval practices as called for in recommendations 2.2 through 2.4.

AGENCY RESPONSE – DISAGREE

The focused cost-reimbursement policy utilized by HOST is in alignment with the city fiscal accountability rule "2.5 – Supporting Documentation" and requires that supporting information is provided in a concise manner as referenced in recommendation 2.4.

— Department of Housing Stability

⁴⁸ U.S. Government Accountability Office, GAO-09-921, "Contract Management: Extent of Federal Spending under Cost-Reimbursement Contracts Unclear and Key Controls Not Always Used (2009)," accessed July 10, 2024, <https://www.gao.gov/assets/gao-09-921.pdf>.

AUDITOR'S ADDENDUM TO AGENCY RESPONSE: In response to Recommendation 2.7, the Department of Housing Stability says the new policy aligns with the city fiscal accountability rule on supporting documentation. To reiterate, Fiscal Accountability Rule 2.5 says that supporting documentation for payments should provide a clear picture of the transaction and shall consist of original invoices or receipts, or faxed copies of an invoice or receipt from the vendor, which itemize the good or service purchased. Additionally, the rule's "Supporting Documentation Guide" says that general examples of supporting documentation include sales invoices, receipts, and credit card reports. The new focused cost-reimbursement policy no longer requires shelter providers to submit these types of supporting documentation to the department. Instead, the policy only requires shelter providers to retain these documents and make them available if requested within a contract-defined retention period.

FINDING 3 AND RECOMMENDATIONS

The Department of Housing Stability is not properly restricting access to sensitive information on its shared drive

During our audit, we discovered the shared drive the Department of Housing Stability uses to store its invoice supporting documentation is not properly secured. This makes the department unable to ensure only appropriate personnel have access to sensitive information, which puts those who own the information in a vulnerable position and risks reputational harm for the city if the information is somehow leaked by someone who should not have had access to it.

City employees not working for Housing Stability's accounts payable team have access to the shared drive folder where shelter guests' personally identifiable information, and other sensitive information, is stored. For example, we found employees in other city agencies such as Denver Arts & Venues, Community Planning and Development, Denver Economic Development & Opportunity, Denver Parks & Recreation, Denver International Airport, and Public Health and Environment all have unauthorized access and can open, change, and delete files in this folder.

Before 2020, the Office of Economic Development managed the city's economic development and affordable housing programs while Denver Human Services included Denver's Road Home, the group previously responsible for the city's homeless services. In late 2019, the mayor reorganized these three functions across two new departments. Denver Economic Development & Opportunity has economic development responsibilities, and the Department of Housing Stability manages affordable housing and homeless services programs. This reorganization may have played a part in why a large number of employees in Denver Economic Development & Opportunity have access to Housing Stability's files, but it does not explain why other agencies also have access.

Shelter providers often submit invoice supporting documentation to Housing Stability that contains shelter guests' personally identifiable information.

Examples of the personally identifiable information we found include:

- Rental verification sheets with the names and addresses of tenants.
- Birth certificate orders with each client's name, their parents' names, contact information, and place of birth.

Additionally, we identified a shelter provider's written checks with bank account and routing numbers in the supporting documentation.

Denver's Fiscal Accountability Rules and the city's accounts payable best practices, say all confidential information in supporting documentation

City employees not working for the Department of Housing Stability have access to the shared drive folder where sensitive information is stored.

must be redacted before it is uploaded to Workday, the city's system of record.⁴⁹ Additionally, the city's privacy and data protection policy says records coordinators must be assigned to properly manage sensitive information. Furthermore, national standards say agencies should create security and privacy policies and procedures listing who is allowed access to information systems and require reviews of those access controls.⁵⁰

Although the documentation we found containing sensitive information was stored in a folder in the department's shared drive, not Workday, the importance of restricting access to this sensitive and confidential information remains true for documentation outside of Workday.

WHAT IS PERSONALLY IDENTIFIABLE INFORMATION?

The U.S. Department of Housing and Urban Development defines personally identifiable information as information that can be used to distinguish or trace an individual's identity alone or when combined with several personal markers. Examples include employment information, place of birth, work information, home address, and financial information.

Housing Stability had not completed a privacy assessment or assigned a records coordinator

The department was unaware that some city employees had unauthorized access to its shared drive folder because staff have not engaged with the city's Technology Services agency's privacy and security team to conduct a privacy impact assessment to restrict access to the shared drive folder. Also, the department had not assigned a records coordinator, who is responsible for securing and properly redacting department sensitive files.

Department staff said that in August 2024, managers assigned this role to two staff members — one as the primary records coordinator and one as a backup position. We were given no formal documentation of the roles and responsibilities, but we do consider this a step in the right direction.

However, by not restricting city employees' access to sensitive data associated with Denver residents using the shelter system, the department cannot ensure this information is protected. Further, if sensitive data submitted by shelter providers were leaked, the people, or organizations, that information belongs to could experience negative consequences such as identity theft. Additionally, the city could be exposed to reputational damage.

⁴⁹ City and County of Denver, Fiscal Accountability Rules, "Rule 2.5 – Supporting Documentation" (last revised 2013), accessed March 8, 2024, https://www.denvergov.org/files/assets/public/v/1/finance/documents/fiscal-accountability/chapter-2-internal-controls/rule_2_5_supporting_documentation.pdf.

⁵⁰ National Institute of Standards and Technology, "Security and Privacy Controls for Information Systems and Organizations" (last revised September 2020), accessed July 18, 2024, <https://nvlpubs.nist.gov/nistpubs/SpecialPublications/NIST.SP.800-53r5.pdf>.

3.1**RECOMMENDATION****Create guidance for handling sensitive information**

The Department of Housing Stability should ensure that the comprehensive, centralized invoicing procedures from Recommendation 2.1 also require sensitive information, including personally identifiable information, to be redacted from invoices and supporting documentation to align with city policies, including Fiscal Accountability Rule 2.5 and accounts payable best practices from the Department of Finance.

AGENCY RESPONSE – AGREE

HOST will educate internal staff and incorporate specific instructions regarding what information is appropriate to upload into Workday and shared. Additionally, during regularly-scheduled trainings with providers, HOST will provide additional training on what documents are appropriate and necessary to submit to HOST for payment.

— Department of Housing Stability

IMPLEMENTATION EXPECTED BY JUNE 30, 2025

3.2**RECOMMENDATION****Design and implement a quality assurance process for sensitive information procedures**

The Department of Housing Stability should establish and document a regular and ongoing process to review final invoice documents to ensure that procedures documented in Recommendation 3.1 regarding sensitive information are followed and that invoices uploaded to Workday do not contain sensitive information.

AGENCY RESPONSE – AGREE

HOST will educate internal staff and incorporate specific instructions regarding what information is appropriate to upload into Workday and shared. Additionally, during regularly-scheduled trainings with providers, HOST provide additional training on what documents are appropriate and necessary to submit to HOST for payment.

— Department of Housing Stability

IMPLEMENTATION EXPECTED BY JUNE 30, 2025

3.3**RECOMMENDATION****Manage file system permissions**

The Department of Housing Stability should establish and document a regular and ongoing process to review file system permissions to ensure only staff with a demonstrated need have access to the department's shared drive folders containing sensitive information, including personally identifiable information. This process should

include documenting who is assigned to the role of records coordinator and what their responsibilities are. After establishing this process, the department should revoke access to all personnel without a demonstrated need to access this information.

AGENCY RESPONSE – AGREE

HOST has addressed immediate access concerns in partnership with TS. Additionally, HOST will investigate tools such as Microsoft Teams and its channels features to manage and further control access for information to the appropriate staff members.

– Department of Housing Stability

IMPLEMENTATION EXPECTED BY JUNE 30, 2025

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

To assess the extent to which the Department of Housing Stability maintains an effective system for monitoring shelter provider performance and spending. To accomplish this, we established three sub-objectives:

- Determining whether the department’s contract monitoring procedures and practices ensure shelter providers comply with performance metrics, reporting deadlines, and nondiscrimination requirements.
- Assessing whether the department developed contracts with shelter providers that are consistent in key areas and compliant with specific city rules.
- Evaluating department policies, procedures, and practices for ensuring compliance with applicable invoicing rules and regulations.

And to describe recent emergencies, organizational changes, and staffing challenges the department experienced since it was created.

Scope

We assessed the efficiency and effectiveness of the city’s system for sheltering people experiencing homelessness from Jan. 1, 2022, through March 31, 2024. We did not assess the emergency migrant shelters managed by Denver Human Services.

Methodology

We used several methods to gather and analyze information related to the audit objectives. These included:

- Interviewing staff from the Department of Housing Stability, the Mayor’s Office, and Denver Human Services, and shelter providers in the contract and invoices samples.
- Reviewing applicable executive orders, fiscal rules, Department of Finance accounts payable guidance, city approved standard contract language from the City Attorney’s Office, and shelter provider contracts and invoices.
- Reviewing department organizational charts, department reviews of organizational structure and staffing, staffing vacancies, staff roles related to invoice reviews, department policies and procedures, and shelter providers’ policies and procedures.
- Reviewing leading practices from U.S. Government Accountability Office, Government Finance Officers Association, National Institute of Standards and Technology, U.S. Department of Housing and Urban Development, The National Center on Family Homelessness, National Health Care for the Homeless Council, The Substance Abuse and Mental Health Administration, and the American Psychological Association.
- Analyzing department invoice review and approval activities compared with city rules and leading

practices, homeless shelter spending, and department staff monitoring of shelter provider compliance with specific contract terms.

- Researching the history of the Department of Housing Stability and news articles about impactful external events.
- Surveying department staff on workload and responsibilities, see Appendix C.
- Reviewing previous audit reports on the department performed by our office.
- Conducting site visits at two homeless shelters, and a walk-through of the Homeless Management Information System.

APPENDICES

Appendix A – Contract monitoring

To understand the Department of Housing Stability’s monitoring of shelter providers, we selected a sample of eight contracts established between the department and eight nonprofit organizations that operate homeless shelters in the city. These contracts were effective from Jan. 1, 2022, through March 31, 2024.

Sampling method

We collected a list of all Department of Housing Stability contracts active between Jan. 1, 2022, and March 31, 2024, from Jaggaer, the city’s contract management system. We compared this report to a list of active contracts between the city and organizations managing homeless shelters provided by Housing Stability to ensure completeness. Next, we reviewed the “summary” field to confirm which contracts involved shelter operations, as opposed to case management or other services not related to operating a homeless shelter.

We selected a judgmental sample of eight shelter provider contracts from a list of 23 shelter operations contracts that were being managed by 12 nonprofit organizations. We also noted each contract’s start date, funding source, and whether it was associated with the mayor’s House1000 initiative.

We chose four traditional, or congregate, shelters along with four non-congregate (e.g., hotel or micro-community) shelters associated with the House1000 initiative. We focused on ensuring each sample of congregate and non-congregate shelter contracts included different shelter types (e.g., hotel, micro-community), different shelter providers, and at least one contract funded in part with federal grant funds.

We included the contract funded with federal grant money because the monitoring requirements are different from shelters funded by the city.

We included the Salvation Army contract for operating The Aspen shelter specifically because of the deaths that occurred at the site.

We scoped out any contracts solely focused on temporary shelters, such as cold weather shelters, and shelters serving migrants to the city.

Our sample of eight contracts were:

- Catholic Charities and Community Services of the Archdioceses of Denver Shelter operations and programs.
- Safehouse Denver Shelter operations.
- The Delores Project Shelter operations and programs.
- The Denver Rescue Mission Shelter operations and programs.
- (House1000) Bayaud Enterprises Inc. non-congregate shelter at Radisson.
- (House1000) The Gathering Place micro-communities.
- (House1000) The Salvation Army non-congregate shelter at The Aspen.
- (House1000) The St. Francis Center non-congregate shelter at Comfort Inn.

Appendix B – Invoice monitoring

To understand the Department of Housing Stability’s monitoring of shelter providers’ invoices, we selected a judgmental sample of 40 invoices that were paid from Jan.1, 2022, through March 31, 2024, representing both congregate and non-congregate shelter types.

Sampling method

Due to the Mayor’s House1000 initiative, we divided our samples into two categories to ensure we captured any recent changes in the invoicing process:

- Congregate, or traditional homeless shelters.
- Non-congregate, or individual room homeless shelters (e.g., House1000 hotels and micro-communities).

IDENTIFYING INVOICES – We analyzed all invoices found in Workday, the city’s system of record, that had been assigned the “Shelter & Services” tag from Jan. 1, 2022, through March 31, 2024.

We removed all journal entries that were labeled “unreconciled” and “unpaid,” along with invoices associated with certain contracts, tags, cost centers, or suppliers that fell outside the scope of our audit (e.g., senior support services, transportation costs, etc.).

In total, 863 invoices from Jan.1, 2022, through March 31, 2024, matched our criteria.

SAMPLE SELECTION – To narrow our judgmental sample down to 40 invoices, we looked for invoices with the following risk-based attributes:

- Even dollar amounts.
- Outliers based on calculated average dollar amounts.
- Missing purchase order numbers.
- Key field duplicate combinations.

When we found invoices with one or more of these attributes, we flagged them for inclusion in our sample. In all, 18 invoices were flagged for having three or more of these attributes. We randomly selected 12 other invoices from the remaining 66 invoices that were flagged for having two attributes. We chose 30 invoices from this pool that were associated with congregate shelters.

For non-congregate shelter invoices, we selected from 45 invoices, which represented three different House1000 contracts. We determined the percentage of the population that each contract made up and chose 10 random invoices proportionally representing each of the three contracts.

Our final sample of 40 invoices were associated with the following 16 contracts:

- Catholic Charities and Community Services of the Archdiocese of Denver 48th Street women’s shelter operations.
- Colorado Coalition for the Homeless street outreach.
- Colorado Coalition for the Homeless 48th Street shelter essential services.
- Colorado Village Collaborative tiny home build.
- CTM Inc. shelter landscaping and snow removal.
- Family Promise of Greater Denver emergency family shelter operations.
- JBK Hotels emergency occupancy agreement.

- Quebec Hospitality LLC “Comfort Inn” hotel lease.
- St. Francis Center emergency shelter operations.
- The Salvation Army “Best-Western” shelter operations.
- The Salvation Army “The Aspen” shelter operations.
- The Salvation Army “Aloft” shelter operations.
- The Salvation Army “Connection Center” case management and housing navigation.
- The Salvation Army “Lambuth” shelter operations.
- Urban Peak Denver youth shelter operations.
- Volunteers of America family motel shelter operations.

Appendix C – Employee survey

To supplement the interviews, we held with staff from the Department of Housing Stability, we created and distributed a survey through Survey Monkey to employees in several of the department’s divisions so we could learn more about staff tenure, workloads, responsibilities, training, and overall perceptions of the department. We used a mix of multiple-choice questions, statements for staff to agree or disagree with, and open-ended comment boxes.

Because this audit focused on the city’s homeless shelters, we distributed the survey only to department staff who we understood to have responsibilities related to shelters.

IDENTIFYING STAFF TO SURVEY – We used the department’s organizational chart dated April 2024 and information from our audit interviews to identify the relevant staff to survey. Recipients of the survey ranged from program managers who are assigned to assist and oversee individual shelter providers to contract administrators, and staff in the department’s Operations and Impact Division who reviewed invoices submitted by shelter providers.

We sent the survey on May 8, 2024, and closed it on May 31, 2024. We distributed the survey to 26 department staff across three divisions: Shelter & Stability, Operations and Impact, and Housing Opportunity. We received responses from 20 staff, a response rate of 77%. All respondents completed the entire survey. We sent the survey to only one employee in the department’s Housing Opportunity Division because they had been given the responsibility of reviewing and approving shelter-related invoices. Others in the Housing Opportunity Division have responsibilities more focused on affordable housing investments and asset management.

Of the staff who responded to our survey, the majority, 12 of 20 respondents – or 60% – work in the department’s new Shelter and Stability Division. Six staff – or 30% – work in the Operations and Impact Division, while two respondents work in the new All in Mile High Division. Although we did not originally intend to distribute the survey to staff in the All in Mile High Division, based on our understanding of their job duties, we found two employees with previous shelter-related responsibilities who had been moved to the All in Mile High Division after recent organizational changes.

Our survey results do not represent the entire population of department staff, or those staff with responsibilities related to the city’s homeless shelters. However, the response rate of 77% does allow us to identify some themes and areas of consensus that support our observations from our other analyses.

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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Our Mission

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.
