

# Audit at a glance



## Caring for Denver

OCTOBER 2020

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

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

## In the report

### **FINDING: The Department of Public Health and Environment Needs to Provide Better Oversight of the Caring for Denver Foundation**

- The Caring for Denver Foundation Board of Directors has not developed a strategic plan to determine its funding priorities as required by city ordinance and its contract with the city. Thus, the foundation cannot demonstrate a detailed, actionable approach for how it will spend designated millions of dollars in tax revenues in accordance with the ordinance.
- As a result of not yet having a strategic plan, the foundation has yet to use its significant financial resources — provided by Denver taxpayers — to carry out the purposes of the Caring for Denver ordinance. As of May 31, 2020, the foundation had about \$41.5 million available to spend on grant awards, while having spent only about \$2.5 million by then in grants for new programs designated by the ordinance.
- The Caring for Denver Foundation is a “component unit” of the city — meaning it is a legally separate organization but one that the city is still financially accountable for. The Denver Preschool Program operates in similar fashion and was used as a model in setting up Caring for Denver. However, the preschool program ordinance and contract include features that allow for better city oversight and increased accountability for the nonprofit — as well as more responsibilities for the organization to report its performance, fiscal accountability, and responsiveness to stakeholders.

#### **CARING FOR DENVER'S PURPOSE**

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

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

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Some features of the Denver Preschool Program contract could be useful to Caring for Denver — such as amending both the Caring for Denver ordinance and the foundation’s contract to enhance the city’s oversight of the taxpayer spending and to help make the foundation more effective in carrying out the ordinance.

- The Caring for Denver ordinance and contract language are not sufficiently clear enough for the city and the foundation to implement the requirement that Caring for Denver funds supplement rather than “supplant” — or replace — funding for certain preexisting mental health and substance use disorder programs. We identified at least one grant awarded by Caring for Denver that appeared duplicative of the Department of Public Health and Environment’s existing contracts for the same services, which could potentially violate the ordinance.
- Two policies critical to the Caring for Denver Foundation’s purpose — the grant policy and use-of-fund-balance policy — included terms and activities that were not addressed in either the ordinance or the contract. In some cases, the policies were also not consistent with leading practices for nonprofit management. If not addressed, the designated tax revenue could be spent on activities inconsistent with the voters’ intent, and it could result in the foundation’s noncompliance with city ordinance and contract terms, as well as opportunities for fraud, waste, and abuse.
- The Caring for Denver Foundation needs to improve how it designs and implements board policies and governing documents. We found some practices were inconsistent with adopted policies, and we also found unclear policy provisions and gaps in developed procedures.



A strong and transparent governance culture is critical for the Caring for Denver Board of Directors’ credibility and ability to fulfill its oversight duties.

## The Caring for Denver Foundation’s Board Structure


### APPOINTED BY THE MAYOR

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

### APPOINTED BY THE DENVER DISTRICT ATTORNEY


-  A representative of the juvenile justice system.
-  A person involved in the criminal justice system who has experienced, or who has advocated for those with, a mental health need or substance use disorder.

### APPOINTED BY THE PRESIDENT OF THE DENVER CITY COUNCIL

-  A person who has experienced, or is in recovery from, a mental health need or substance use disorder.
-  A mental health or substance use treatment provider.
-  A person with expertise in child and youth mental health services.
-  A representative of commercial business interests in the City and County of Denver with an interest in mental health or substance use disorders.
-  A person with experience addressing the mental and/or substance use needs of underserved populations.

 **Representing government**

 **Representing justice system**

 **Representing those who have experienced, or advocated for those with, a mental health need or substance use disorder**

 **Representing mental health or substance use provider**

 **Representing business**

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

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

