



July 10, 2023

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

Dear Mr. O'Brien,

The Office of the Auditor has conducted a performance audit of the Denver College Affordability Fund Program.

This memorandum provides a written response for each reportable condition noted in the Auditor's Report final draft that was sent to us on July 3, 2023. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1

Minimal oversight and insufficient data management practices do not ensure accurate and complete records for serving students

RECOMMENDATION 1.1		
Provide greater oversight - The Office of Children's Affairs should update its contract administration plan to increase its supervision of Prosperity Denver Fund. At a minimum, the updated plan should include proper safeguards to ensure Prosperity Denver's reimbursement and reporting processes are accurate so that the city receives a true picture of the program's performance, including who it is serving		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	12/31/23	Katherine Jarvis, OCA 720-913-0903

Narrative for Recommendation 1.1

OCA is committed to process improvement in all aspects of our operations. Currently, OCA updates our Contract Administration Plans (CAP) annually and provides an updated plan to PDF at the start of each calendar year. OCA will begin the update to the plan earlier to ensure the plan includes proper safeguards and oversight processes with a goal of increasing supervision of PDF. Currently OCA's Contracts & Compliance team consists of one Contract Administrator and one Contract Compliance Coordinator. These two staff manage an average of 131 contracts each year with nearly 100 vendors. These numbers do not include our Special Revenue Fund contracts, which are a priority to our agency

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and do require a high level of oversight to ensure fidelity to the intended purpose of the tax revenue funds allocated to these funds.

OCA is working on building our operational capacity and will be hiring an additional Contract Compliance Coordinator this year. Additionally, our 2024 budget request includes three additional contracts staff to help better spread the workload our two staff are currently carrying. Finally, OCA has also requested a Special Projects Administrator who would be dedicated to overseeing all programming funded by Special Revenue Funds, including PDF, Denver Preschool Program, and the newly created Broncos Fund. OCA has never had one dedicated staff person to oversee this work, but as OCA continues to grow, the need for a dedicated staff member becomes greater. With added capacity, OCA will be in a much better position to provide the level of oversight recommended by this report. If the requested positions are not added, OCA will still develop and document more extensive oversight processes through the Contract Administration Plan, and these processes will be implemented by the Contracts & Compliance team with oversight from the Deputy Director of Operations.

RECOMMENDATION 1.2

Create data management plan - The Office of Children’s Affairs should ensure Prosperity Denver Fund establishes and adheres to a comprehensive data management plan. This plan should clearly define the roles and responsibilities of all parties involved in the Denver College Affordability Fund program to ensure the data is complete and accurate. At a minimum, the plan should require the use of unique identifiers for students served and require that staff document any changes or additional information they use to supplement a reimbursement request. This plan should also include a requirement for a centralized database and regular data analyses to detect indicators of potential errors or fraud, such as missing essential fields and duplicate entries.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	06/30/24	Matt Jordan, PDF 720-595-0500 Katherine Jarvis, OCA 720-913-0903

Narrative for Recommendation 1.2

PDF is in the process of creating a data management plan with their contractor as they build out a database and the processes that go along with implementing the database. OCA will work closely with PDF to build out a data management plan based on their new processes and procedures to ensure streamlined and seamless efforts. OCA will develop a desk audit process that complements the data management plan and ensures accuracy of data and reporting.

RECOMMENDATION 1.3

Follow up on quality assurance findings - Prosperity Denver Fund should work with the Office of Children’s Affairs to address additional potential errors for items highlighted in

the quality assurance reports, such as reimbursements for students who did not qualify but for whom Prosperity Denver reimbursed other supported organizations. In addition, Prosperity Denver and the associated supported organizations should continue implementing the recommendations from those reports.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	12/31/23	Matt Jordan, PDF 720-595-0500 Katherine Jarvis, OCA 720-913-0903

Narrative for Recommendation 1.3

PDF will hire a Data & Evaluation Director who will serve as the point person responsible for developing and maintaining a data management plan as well as implementing recommendations from the QAP and City Audit reports.

OCA will work closely with the Data & Evaluation Director to understand quality assurance processes and develop processes that provide the appropriate level of oversight and remediation of potential errors.

AUDIT FINDING 2

Prosperity Denver Fund and some supported organizations have not adequately verified eligibility for some students

RECOMMENDATION 2.1

Ensure oversight of student eligibility - The Office of Children’s Affairs should ensure Prosperity Denver Fund adequately oversees the process of verifying students’ eligibility to receive the designated tax dollars from the College Affordability Fund program. Prosperity Denver Fund’s oversight process should be documented, and Children’s Affairs should enforce it. At a minimum, Children’s Affairs should ensure Prosperity Denver Fund:

- Aligns its records retention requirements with its own policy, especially related to keeping supporting documentation regarding students’ eligibility.
- Periodically reviews and updates its policies and procedures to ensure supported organizations obtain and keep documentation evidencing students’ eligibility.
- Makes its updated policies and procedures readily available to all supported organizations.
- Requires that reimbursement requests undergo a secondary review by someone other than the individual who prepared it.
- Continues providing training to supported organizations to ensure policies and procedures are clearly communicated.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
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	(Generally expected within 60 to 90 days)	
Agree	06/30/24	Katherine Jarvis, OCA 720-913-0903

Narrative for Recommendation 2.1

OCA will develop and implement a desk audit process to ensure the verification process being overseen by Prosperity Denver Fund is providing the appropriate support to supported organizations while creating reasonable safeguards to ensure reimbursements are accurate and eligible, including reliance on federally regulated post-secondary institutional data where possible.

RECOMMENDATION 2.2		
Review supporting documentation - The Office of Children’s Affairs and Prosperity Denver Fund should design and implement a process to review a sample of supporting documentation from the supported organizations during each reimbursement period. This process should be used to identify weaknesses in the reimbursement process and to update guidance to the supported organizations to ensure only eligible students receive tax-funded support.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	05/31/2024	Matt Jordan, PDF 720-595-0500 Katherine Jarvis, OCA 720-913-0903

Narrative for Recommendation 2.2

PDF is currently developing a new database that will streamline data collection processes and help increase data analysis and reporting capabilities. As part of that process, PDF is discussing how to ensure data is accurate and sufficient supporting documentation is collected and maintained. Those steps are needed to implement this recommendation. PDF will work with OCA and supported organizations via the Fall 2023 and Spring 2024 distributions to design and implement a reasonable expanded document review process, which includes reliance on federally regulated post-secondary institutional data where possible.

OCA will work closely with PDF to develop an understanding of PDF’s new processes and procedures related to the implementation of the new database. OCA will base compliance and oversight processes on the functionality of the database.

RECOMMENDATION 2.3
Obtain refunds for errors discovered in this audit - In line with previous refund practices, the Office of Children’s Affairs and Prosperity Denver Fund should obtain refunds from supported organizations for reimbursements where this audit could not find sufficient

evidence of students being eligible. In addition, Prosperity Denver Fund should analyze and identify other potential instances where these ineligible students may have been inappropriately reimbursed, so the city can be refunded.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	08/15/23	Matt Jordan, PDF 720-595-0500 Katherine Jarvis, OCA 720-913-0903

Narrative for Recommendation 2.3

PDF has a longstanding policy and practice to ensure reimbursements are accurate and to correct errors if identified, including collection of refunds from supported organizations. This process is underway, and PDF expects to have funds ready to deposit by August 15, 2023.

OCA will request a report of requested refunds and require documented updates from PDF on receipt of refunds in each monthly check-in until all refunds have been received.

AUDIT FINDING 3

Some supported organizations lack sufficient documentation to support every payment for eligible students

RECOMMENDATION 3.1 Establish detailed requirements for retaining documentation evidencing payments - The Office of Children’s Affairs should ensure Prosperity Denver Fund establishes and documents clear requirements for supported organizations to maintain records showing all funds received from Prosperity Denver Fund and all funds paid for student scholarships.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	12/31/23	Katherine Jarvis, OCA 720-913-0903

Narrative for Recommendation 3.1

OCA will include clear requirements for supported organizations to maintain records in the updated CAP to align with the City & County of Denver’s Record Retention Policy. Additionally, OCA will ensure this requirement is being met as part of the desk audit developed by the Contracts & Compliance team.

RECOMMENDATION 3.2

Establish detailed requirements of support services documentation - The Office of Children’s Affairs should ensure Prosperity Denver Fund establishes and documents clear requirements for supported organizations to prepare and keep reliable and accurate supporting documentation for calculating support services costs. At a minimum, the requirements should include:

- Keeping any documents and calculations necessary to validate a reimbursement request— such as payroll reports, a list of students served, and accounting reports for relevant costs.
- Having a second person review and formally approve initial calculations before submitting a reimbursement request to Prosperity Denver Fund.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	12/31/23	Katherine Jarvis, OCA 720-913-0903

Narrative for Recommendation 3.2

OCA will include clear requirements for PDF to ensure supported organizations maintain records in the updated CAP, including providing regular training to SO’s and new SO staff. Additionally, OCA will ensure records retention requirements and training requirements are being met as part of the desk audit developed by the Contracts & Compliance team.

Please contact Katherine Jarvis, Deputy Director of OCA, 720-913-0903, with any questions.

Sincerely,



Melissa Janiszewski
Executive Director

cc: Valerie Walling, CPA, Deputy Auditor
Dawn Wiseman, CRMA, Audit Director
Vilma Balnyte, CPA, MBA, Audit Manager
Pat Schafer, CPA, CIA, CFE, Audit Senior Manager