

# Audit at a glance

## Denver College Affordability Fund Program

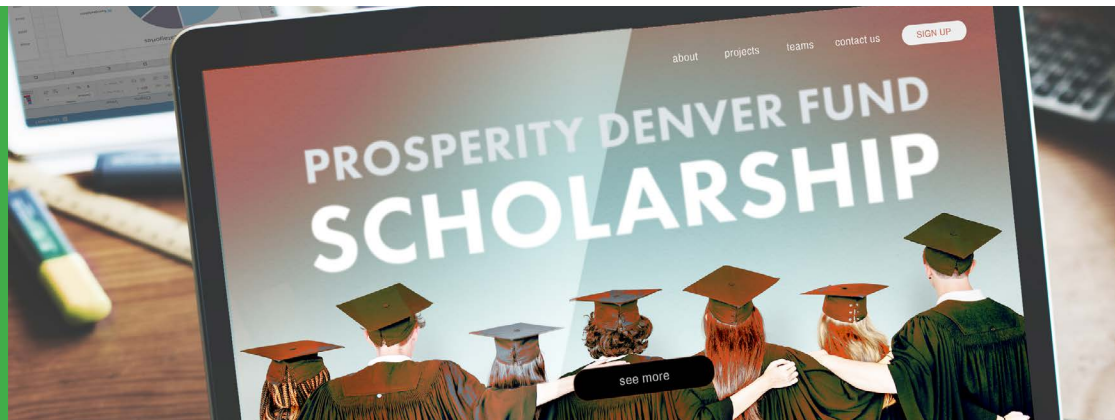
JULY 2023

**ABOUT** | In 2018, voters approved the creation of the College Affordability Fund program to help Denver students from low-income families be better able to pay for the high costs of a college education.

The voter-initiated ordinance established a 0.08% sales and use tax increase to pay for scholarships to post-secondary institutions and related support services.

The nonprofit Prosperity Denver Fund was created to distribute the designated tax dollars and administer the city's College Affordability Fund program. Prosperity Denver reimburses qualifying nonprofits, called "supported organizations," for the scholarships and support services they provide to eligible Denver students.

The Office of Children's Affairs manages the city's contract with Prosperity Denver Fund.



## In the report

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

- City officials designed the College Affordability Fund program so that the Office of Children's Affairs provides little oversight of the program and the city's contractor, Prosperity Denver Fund, because they said the city agency has limited resources.
- But because of this program design, the city was unaware that Prosperity Denver does not adequately collect data to ensure the city receives reliable reports about where the designated tax dollars are going and that reimbursements are for only eligible students.
- We found Prosperity Denver's inadequate processes for managing data means it cannot ensure accurate and complete records for serving students — and it exposes itself to potential errors and fraud in distributing the city's designated tax dollars.
- Specifically, the nonprofit's data is fragmented, does not have unique identifiers, and is missing key information, so the city cannot fully rely on its reports. Additionally, no one is using data analytics to look for potential errors or fraud.
- After Prosperity Denver found ineligible students through their own testing and received refunds from supported organizations, the nonprofit did not look for additional errors.
- The lack of oversight by the Office of Children's Affairs and the insufficient data management by Prosperity Denver risk noncompliance with the city ordinance governing the College Affordability Fund program, as well as a lack of transparency and accountability with Denver voters.

### **FINDING: Prosperity Denver Fund and some supported organizations have not adequately verified eligibility for some students**

- Prosperity Denver Fund largely relies on its 35 supported organizations to establish and verify whether students meet the eligibility requirements of city ordinance. The Office of Children's Affairs plays no role in the reimbursement process.
- Prosperity Denver designed a process where it reviews reimbursement requests from the supported organizations without confirming that information with any source documentation.

TURN  
OVER  
FOR  
MORE →

Timothy M. O'Brien, CPA | Denver Auditor

For a copy of this report, visit [denverauditor.org](https://denverauditor.org) or call the Auditor's Office at (720) 913-5000.



- Prosperity Denver proactively began testing support documentation in 2022 to verify student eligibility.
- This process lacks adequate safeguards to ensure information is accurate and all evidence is maintained.
- Some supported organizations themselves do not always collect source documentation nor do they always ensure it is reliable, which has resulted in errors and the supported organizations sometimes being reimbursed for ineligible students.
- Out of our nonrepresentative sample of 60 reimbursement requests, we found three of 30 students from Denver Scholarship Foundation — the largest supported organization, by far — did not actually qualify to receive the city’s aid. Prosperity Denver self-identified two of the three errors and received refunds. Twenty students out of another 30 across three of the smaller supported organizations also did not qualify.
- Because of the weak system of oversight and the lack of controls, potential errors or fraud

may not be prevented or may go undetected, and Prosperity Denver Fund may continue reimbursing ineligible students.

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

- While we traced every reimbursement payment made from Prosperity Denver to the supported organizations we looked at, we found some of the supported organizations could not provide enough documentation showing they actually paid scholarships.
- Underlying documentation did not always match reimbursement requests for support services.
- Some organizations need a secondary review and approval process to help detect and prevent errors before submitting a reimbursement request.
- Without more adequate and thorough guidance from Prosperity Denver or the city, supported organizations risk miscalculating their reimbursement requests and not keeping sufficient documentation.

**Prosperity Denver Fund’s performance metrics for the College Affordability Fund program**

We counted scholarships for each individual school year. For instance, if a student was awarded a four-year scholarship, it appeared as four scholarships — one for each school year — in Prosperity Denver Fund’s data.

SCHOOL YEAR	NUMBER OF SCHOLARSHIPS	AVERAGE REIMBURSEMENT PER SCHOLARSHIP	TOTAL REIMBURSEMENTS DISTRIBUTED			NUMBER OF SUPPORTED ORGANIZATIONS RECEIVING FUNDING
			Scholarships	Support services	Total	
2018-2019 <i>Complete</i>	1,899	\$2,782	\$4.1M 77%	\$1.2M 23%	\$5.3M	16
2019-2020 <i>Complete</i>	1,949	\$2,717	\$3.9M 73%	\$1.4M 27%	\$5.3M	19
2020-2021 <i>Complete</i>	1,844	\$2,663	\$3.5M 72%	\$1.4M 28%	\$4.9M	28
2021-2022 <i>Partial (Nov. 2022)</i>	1,831	\$2,929	\$3.9M 72%	\$1.5M 28%	\$5.4M	23

**Note:** The total dollar amounts shown here reflect school years, while the amounts in Figure 2 reflect fiscal years. Therefore, the yearly amounts are different. Prosperity Denver’s “Strategic Framework Report” incorrectly identified the number of scholarships per year as the number of students, which we discuss in Finding 1. Variances in percentages are due to rounding.

**Source:** Auditor’s Office illustration based on information from Prosperity Denver Fund, accounting for all disbursements made through fall 2022.

Timothy M. O’Brien, CPA | Denver Auditor



For a copy of this report, visit [denverauditor.org](http://denverauditor.org) or call the Auditor’s Office at (720) 913-5000.