



COLORADO
Department of Local Affairs
Division of Local Government

January 27, 2016

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Auditor Ray:

In response to your request, we have prepared a status report regarding the implementation of the audit recommendations contained in the August 2015 Performance Audit of Gaming Impact Grants. The attached report provides a brief explanation of the actions the Department of Local Affairs has taken to implement each recommendation.

We are pleased to report that of the 11 recommendations made within the audit, the Department has completed implementation of all but one recommendation. This last recommendation is dependent upon implementation of automated system improvements which we still anticipate implementing by the end of December 2016. If this should change, I will make sure to inform the Auditor's office as soon as I am made aware.

If you have any questions, please do not hesitate to contact me at 303-864-7861 or by email at Irv.Halter@state.co.us.

Sincerely,

Irv Halter
Executive Director



AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Gaming Impact Grants Performance Audit, August 2015

AUDIT NUMBER: 1419P

DEPARTMENT: Department of Local Affairs

DATE OF STATUS REPORT: January 27, 2016

SUMMARY INFORMATION

Rec. Number	Department's Response	Original Implementation Date	Implementation Status	Revised Implementation Date <i>(If applicable)</i>
1A	Agree	December 2015	Implemented	
1B	Agree	December 2015	Implemented	
1C	Agree	December 2015	Implemented	
1D	Agree	December 2015	Implemented	
2A	Agree	December 2016	Partially Implemented	
2B	Agree	December 2015	Implemented	
2C	Agree	December 2015	Implemented	
3A	Agree	September 2015	Implemented	
3B	Agree	September 2015	Implemented	
3C	Agree	September 2015	Implemented	
3D	Agree	September 2015	Implemented	

DETAIL OF IMPLEMENTATION STATUS

Recommendation 1:

The Department of Local Affairs should work with its Limited Gaming Advisory Committee (Committee) to improve the administration of the Local Government Limited Gaming Impact Program by:

- A. Establishing a standard methodology and criteria for documenting, measuring, assessing, and reporting the documented gaming impacts on local governments, as required by statute.

Department's Update:

Current Implementation Status for 1A: Implemented.

DOLA has created and implemented a two-step process to ensure the standardization of program documentation, evaluation and reporting. 1) Service Delivery Reports (SDRs) are designed to document impact data by grant applicants for each project every calendar year. 2) Executive Summary Sheets are used to assess and report the budgetary situation of the applicant. DOLA will

use both documents to assess actual impacts and the measurement of the impacts against the previous year. This method and criteria was adopted by the Committee in September of 2015. At application, local governments complete the SDR documenting the previous year's gaming impact data. If an application does not have a completed SDR, the lack of data will be noted in the Executive Summary of the application for review by the Committee. The application will be presented by the applicant to the Committee who will also request the data from the applicant. If no documented gaming impact data is provided, then DOLA will not award a grant.

- B. Establishing methods for the Committee to provide clear, comprehensive grant funding recommendations to the DOLA Executive Director based on its review of grant applications. This should include recommendations on any applications that the Committee believes should not receive funding and specific funding levels for applications that the Committee believes should be funded.

Department's Update:

Current Implementation Status for 1B: Implemented.

DOLA has created a Gaming Impact Committee Application Scoring sheet used by the Committee. These sheets are given to members in advance of hearings in accompaniment with all grant applications, SDRs and Executive Summaries for individual grant scoring and notes. Committee members used this scoring sheet at their September/October 2015 grant hearings to record their individual funding recommendations per application, and at the end of the hearings, these scoring sheets are assembled into a combined sheet. The Committee reviews and approves the combined sheet as their final funding recommendation. The combined Application Scoring sheet along with the Executive Summaries, Applications and SDRs are provided to the DOLA Executive Director who makes the final funding decision.

- C. Establishing methods and guidance to ensure the Committee's scores and funding recommendations are considered when determining grant awards.

Department's Update:

Current Implementation Status for 1C: Implemented.

In September of 2015, the Committee adopted the use of an Application Scoring sheet that requires the Committee to score each application using the September 2015 Committee approved Rating Criteria. The Rating Criteria are provided to each Committee member as a guideline on how to score each application. In September of 2015, the Committee utilized the individual scoring sheets which were combined into an average score to then vote on the final funding recommendation. The final funding recommendation was captured in meeting minutes and audio recording. In October 2015, a memorandum was provided to the Executive Director articulating the Committee's funding recommendations along with staff input all of which were considered by the Executive Director when making the final funding decision in October of 2015.

- D. Documenting and maintaining documentation of the rationale for the grant decisions made by the DOLA Executive Director, including how the Committee's recommendations were considered, and communicating the rationale for decisions to all grant applicants.

Department's Update:

Current Implementation Status for 1D: Implemented.

In October of 2015, DOLA implemented a process in which the Executive Director uses the combined Application Scoring sheet which details the Committee's funding recommendation, along with the Executive Summaries, Applications and SDRs to make the final funding decision. Also in October 2015, the Executive Director implemented the process whereby funding decisions were communicated to the Committee including details on funding decisions that were different from the Committee's recommendation. Last, in October of 2015 DOLA implemented the process whereby grant award letters explain funding decisions when applications were denied funding or funding was awarded less than the applicant requested. All of this documentation is kept in the application file.

Recommendation 2:

The Department of Local Affairs should improve its oversight of Local Government Limited Gaming Impact Program (Program) grant projects and ensure payments to grantees are allowable by:

- A. Establishing and applying written criteria to determine which grant expenditures and supporting documentation should be reviewed by staff, and ensuring pay requests undergo supervisory review before being reimbursed.

Department's Update:

Current Implementation Status for 2A: Partially Implemented.

In October 2015, DOLA established and implemented its policy that all grantee pay requests go through a secondary, supervisor review before submittal for disbursement to grantees. To improve the efficiency of this process, DOLA is working with the Office of Information Technology to create and implement an electronic pay voucher system which will allow grantees to request payments and submit supporting documentation electronically. This process will assure easy access to backup documentation and provide an electronic review and approval process. In the meantime we are reviewing pay requests for evidence of secondary supervisor review before we submit for final disbursement. We anticipate the electronic pay voucher system to be completed and implemented by December 2016.

- B. Establishing and applying written criteria to determine which grant projects should undergo monitoring site visits.

Department's Update:

Current Implementation Status for 2B: Implemented.

In December of 2015, the Department created an Assessment form for determining the need for formal monitoring, an in-person visit with the purpose of documenting grants contract compliance, and implemented the use of this form for all 2016 grant contracts. Elements of the assessment include an evaluation of grant management staff and capacity, and past compliance with the Department grant contracts. At the time of contract execution, the Assessment is completed and kept with the project files. Implementation of this form for the 2016 project year has identified three grant contracts to receive full on-site monitoring.

- C. Including specific language in all grant contracts to reflect the statutory intent of the Program to use grant funds only for costs incurred to address gaming impacts.

Department's Update:

Current Implementation Status for 2C: Implemented.

All 2015 grant award contracts include the statutory intent of the program within Exhibit B which reads:

1. PURPOSE

1.1 Gaming Impact. *The purpose of the Local Government Limited Gaming Impact Fund program is to provide financial assistance to designated local governments for documented gaming impacts to finance planning, construction and maintenance of public facilities and the provision of public services related to the documented gaming impacts.*

Recommendation 3:

The Department of Local Affairs should work with its Limited Gaming Advisory Committee (Committee) to comply with the Colorado open meetings law by:

- A. Providing advance public notice, with detailed agenda information, of all meetings involving two or more members of the Committee to ensure the meetings are open to the public.

Department's Update:

Current Implementation Status for 3A: Implemented.

In July of 2015, DOLA created and implemented an Open Meetings Checklist to ensure proper posting and recording of public meetings. The checklist includes all Open Meeting Law requirements including the official notice of meetings including agendas. The first meeting of the Committee under the checklist guideline was in September of 2015, minutes were taken and the meeting was audio recorded. The Committee was trained on, adopted and implemented this process for all meetings. Annually, DOLA will conduct a review on the Open Meetings policy with the Committee and it has been added to the program's operating policies and procedures.

- B. Implementing a process to ensure complete and accurate minutes of all meetings of two or more members of the Committee are recorded, including detailed records of all actions, policy discussions, and decisions.

Department's Update:

Current Implementation Status for 3B: Implemented.

DOLA has created and implemented an Open Meetings Checklist which includes the policy that all meetings involving two or more committee members will be recorded with written meeting minutes taken of all actions, policy discussions and decision undertaken by the Advisory Committee. In September of 2015, the Committee adopted this policy and it has been added to the program's operating policies and procedures.

- C. Implementing a process to make meeting minutes accessible to the public.

Department's Update:

Current Implementation Status for 3C: Implemented.

In September 2015, the Department implemented a procedure stating that Gaming Committee written meeting minutes will be posted on the DOLA website on the Committee's webpage (location: <https://www.colorado.gov/pacific/dola/gaming-impact-advisory-committee>). Audio recordings of meetings are available to the public through request to program staff. The Committee has adopted this policy and it has been added to the program's operating policies and procedures.

- D. Adopting Committee bylaws that contain procedures for complying with the Colorado open meetings law.

Department's Update:

Current Implementation Status for 3D: Implemented.

In September of 2015 the Committee adopted bylaws which include the Open Meetings requirements and an additional annual training requirement for the Committee to receive annual training on Open Meeting rules and regulations. Article IX. Meetings of the Committee's Bylaws reads:

All meetings of two or more members of the Committee at which any public business is discussed or at which any formal action may be taken are declared to be public meetings open to the public at all times, except for executive session (See Article V-D of these procedures), in compliance with provisions of Article 6 (Colorado Sunshine Law), Part 4 (Open Meetings Law), 24-6-401 and 402, C.R.S. Annually, the Board shall be provided training by Department of Local Affairs Staff on this requirement and that all meetings must follow Article VIII of these bylaws.



COLORADO
Department of Human Services

July 20, 2016

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman Street, 7th Floor
Denver, Colorado 80203

Dear Auditor Ray:

In response to your request dated May 26, 2016, the Colorado Department of Human Services has prepared a status report regarding the implementation of the audit recommendations related to the Gambling Addiction Program, which were contained in the August 2015 *Gaming Impact Grants Performance Audit*. The enclosed status report provides a brief description of actions the Department has taken to implement each recommendation.

If you have any questions, please do not hesitate to contact me at (303) 866-7655 or by email at nancy.vandemark@state.co.us.

Sincerely,

A handwritten signature in black ink that reads "Nancy VanDeMark".

Nancy VanDeMark, PhD
Director, Office of Behavioral Health

Enclosure

cc: Reggie Bicha, Executive Director
Julie Krow, Deputy Executive Director of Community Partnerships
Melissa Wavelet, Director, Office of Performance and Strategic Outcomes
Sabina Genesio, Acting Deputy Director, Office of Behavioral Health
Mette Boes, Audit Division Director



AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Gaming Impact Grants Performance Audit, August 2015

AUDIT NUMBER: 1419P

DEPARTMENT & PROGRAM: Department of Human Services, Gambling Addiction Program

DATE OF STATUS REPORT: July 20, 2016

SUMMARY INFORMATION

Rec. Number	Department's Response	Original Implementation Date	Implementation Status	Revised Implementation Date (If applicable)
4A	Agree	November 2015	Implemented	
4B	Agree	December 2015	Implemented	
4C	Agree	November 2015	Implemented	
4D	Agree	November 2015	Implemented	
4E	Agree	November 2015	Implemented and Ongoing	
5A	Agree	July 2016	Partially Implemented	October 31, 2016
5B	Agree	July 2016	Not Implemented	March 31, 2017
5C	Agree	May 2016	Implemented	
5D	Agree	November 2015	Implemented	

DETAIL OF IMPLEMENTATION STATUS

Note: Recommendations 1 through 3 in the audit report were addressed to the Department of Local Affairs.

Recommendation 4:

The Department of Human Services (DHS) should ensure that the Gambling Addiction Program (Program) operates effectively and in accordance with statute to help address problem gambling in Colorado by:

- A. Ensuring that grants are offered primarily for providing counseling to Colorado residents as well as for pursuing national counselor accreditation, in accordance with statute. This should include ensuring that grants for gambling addiction counseling services are awarded to entities and/or programs that have or are seeking nationally accredited counselors.

Current Implementation Status for 4A: Implemented.

Department's Update: The Department is now issuing grants directly, rather than contracting with an organization to issue the grants. The Department posted two requests for applications (RFA) on October 26, 2015. The first RFA was a request open to individuals or entities (providers/contractors) to apply for grants to provide gambling addiction counseling treatment

services. In response to this RFA, the Department awarded grants to two nationally accredited providers/contractors now under contract to provide these services. One provider/contractor is an individual counselor and the other provider/contractor is an agency that employs counselors. The first provider/contractor was awarded a purchase order (PO) on December 16, 2015 and the second provider/contractor was awarded a PO on March 3, 2016. Both POs include a statement of work that provides detailed work plan objectives that state the provider(s)/contractor(s) “shall provide counseling services for gambling addiction treatment” to ensure the Department is providing counseling to Colorado residents. One of the providers/contractors began delivering counseling services on January 19, 2016 and currently has two clients. The Department has reimbursed this provider/contractor \$3,588.22 to provide gambling addiction counseling treatment services to the two clients through June 2016. The payment amount includes at least 17 client visits (4 visits provided to one client and 13 visits provided to another client) which included intake/evaluation and gambling addiction counseling treatment services. As of July 20, 2016, the other provider/contractor has not yet secured clients even though it has marketed the gambling addiction counseling services.

The second RFA was for grant funds to be used for individuals (grantees) pursuing national counselor accreditation. The Department has received one application for these funds. The application was approved by the Department on May 31, 2016 and the grant was finalized on July 1, 2016. The Department requires each individual pursuing national counselor accreditation to sign a written agreement that states that he or she will submit to the Department “semi-annual status reports that document progression towards national accreditation. This report must include the courses, counseling hours and supervision hours.” The language was added to the written agreement to ensure the Department is tracking each grantee’s progress for pursuing national counselor accreditation in accordance with statute. The Department will seek repayment of funds from individual grantees who do not obtain the national accreditation, as required by 2 CCR 502-5 20.420.B.

B. Revising Program rules to clarify the requirements for counseling grant applicants.

Current Implementation Status for 4B: Implemented.

Department’s Update: Pursuant to Section 12-47.1-1601(4)(a.5)(I), C.R.S., “The executive director of the department of human services shall adopt rules establishing the procedure for applying for a grant from the gambling addiction account, the criteria for awarding grants and prioritizing applications, and any other provisions necessary for the administration of the grant applications and awards.” On July 10, 2015, 2 CCR 502-5 (Sections 20.000 through 20.600) “Executive Director Rules – the Procedure for Awarding Gambling Addiction Grants” was adopted during the Executive Director rule-making session, with an effective date of September 1, 2015.

The rules effective September 1, 2015 underwent revisions to clarify the procedures for grant applications, the criteria for awarding grants, and how grant applications will be prioritized. The rules include processes for verifying applicant certification and assurance for compliance with statutory, contract, and grant terms. Revisions to 2 CCR 502-5 (Sections 20.000 through 20.500) were adopted during the Executive Director rule-making session on December 4, 2015, with an effective date of February 1, 2016.

- C. Ensuring written agreements are executed with the grantees, Program contracts align with statute, and contracts and agreements include reasonable expectations for the use of grant funds, such as deadlines for completing accreditation.

Current Implementation Status for 4C: Implemented.

Department's Update: The Department executed written contracts/agreements for both counseling and accreditation grants, ensuring the written contracts/agreements meet and align with statute and rules, and include reasonable expectations for use of the grant funds. The statements of work for the two counseling grant providers/contractors include detailed work plan objectives that state the providers/contractors shall provide counseling services for gambling addiction treatment to Colorado residents. In addition, the written contracts/agreements for the national counselor accreditation grant includes requiring each individual grantee pursuing accreditation to submit to the Department semi-annual status reports documenting his or her progression toward the national accreditation, and includes the deadline that accreditation be completed within two years. The grantee sends the Department status reports that include the courses taken, the amount of counseling hours provided, and supervision hours to ensure the grantee is making progress to complete accreditation. The two POs issued for gambling addiction counseling treatment services include reporting requirements to the Department from the providers/contractors. Quarterly reports from the providers/contractors must be submitted to the Department within 30 days of the end of each quarter. The reports detail the number of unique clients receiving gambling addiction treatment services, as well as the type, number, and dollar amount of services provided to each client.

- D. Ensuring any future Program contractors provide written reports that contain specific information, as determined by DHS, to allow for adequate monitoring of the written contracts/agreements.

Current Implementation Status for 4D: Implemented.

Department's Update: Both POs for gambling addiction counseling treatment services require the providers/contractors to submit quarterly reports to the Department detailing information for monitoring purposes. The one provider/contractor serving clients has submitted the required reports and supporting documentation. The report provides the number of clients served and the dollar amounts of services provided. The written agreement states that the funds in the PO can only be used when no other payer source, such as Medicaid or private insurance, is available. The Department requires each individual who receives a grant to pursue national counselor accreditation to sign a written agreement that states that he or she will submit to the Department semi-annual status reports that document progression towards national accreditation. This report includes the courses, counseling hours, and supervision hours.

- E. Training DHS staff on the statutory requirements for the Program, the requirements of the Program contract, and on how to hold future contractors accountable for the contract terms through effective oversight and monitoring.

Current Implementation Status for 4E: Implemented and Ongoing.

Department's Update: The Department conducted staff training on November 30, 2015 and December 15, 2015 to provide contract and vendor oversight and monitoring training. The Department is committed to provide training to internal and external staff and stakeholders on an ongoing basis.

Recommendation 5:

The Department of Human Services (DHS) should maximize the use of funds in the Gambling Addiction Account (Account) to fulfill the purpose of the Gambling Addiction Program (Program) by:

- A. Evaluating the demand for both counseling and accreditation grants, and offering grants for both purposes as required by statute. DHS should seek specific authority to spend Account resources to conduct this evaluation, if the authority is needed.

Current Implementation Status for 5A: Partially Implemented.

Department's Update: The Department requested and received spending authority through Supplemental Bill H.B. 16-1242 (S.B. 15-234 Long Bill) in order to seek specific authority to spend resources to conduct an evaluation. The Department has awarded a PO to conduct an evaluation to assess the demand for both counseling and accreditation. The Department has awarded two grants for counseling and executed one grant agreement for accreditation as required by statute. The Department is revising the implementation date to October 31, 2016 when the evaluation will be completed.

- B. Ensuring that criteria for awarding grants align with the results of the evaluation in Part A.

Current Implementation Status for 5B: Not Implemented.

Department's Update: The Department awarded a gambling evaluation PO on May 27, 2016 and the anticipated completion date is October 31, 2016. The Department will ensure the awarded grants align with the results of the evaluation, once completed. This part of the recommendation cannot be completed until the evaluation is finalized. The Department is revising the implementation date to March 31, 2017 to allow for the evaluation findings to be incorporated and contracts to be aligned with the results.

- C. Seeking authority to use more of the unspent funds in the Account, either through statutory change to obtain continuous spending authority or through the annual budget request process.

Current Implementation Status for 5C: Implemented.

Department's Update: The Department requested and received spending authority through Supplemental Bill H.B. 16-1242 (S.B. 15-234 Long Bill). The Department was given authority to spend the unspent account balance of \$169,000 from the Local Gaming Impact Fund to be used for the Gambling Addiction Program. The bill also adds a footnote stating that, after the increase, funds will remain available through June 30, 2017.

- D. Establishing a clear rationale for determining the amount of administrative and marketing funds DHS will allow the Program's contractor(s) to spend to fulfill contractual duties and administer an effective Program.

Current Implementation Status for 5D: Implemented.

Department's Update: The reimbursement of administrative and marketing expenses only applies to the gambling addiction counseling treatment providers/contractors that were awarded POs. The Department established a clear rationale for determining the amount of funds that the gambling addiction counseling treatment providers/contractors may spend and have outlined a Gambling Compliance Evaluation Matrix. The Matrix documents the amounts to be spent on treatment, marketing, and administrative and indirect costs. The Matrix limits the amount of administrative expenses to 10% of the direct costs. Marketing/education materials should not exceed 5% of direct costs, and the amount for treatment should be no less than 85% of the total PO amount. Additionally, the amounts of each PO were determined through the RFA negotiation and response process. One PO is for \$49,087 and the other is for \$22,550. The Department has reimbursed the provider/contractor with two clients \$3,588.22 to provide gambling addiction counseling treatment services to the clients, as of June 2016. The payment was for at least 17 client visits (4 visits provided to one client and 13 visits provided to another client) which included intake/evaluation and gambling addiction counseling treatment services. The \$3,588.22 also includes reimbursement for administrative costs (not to exceed 10%) and reimbursement for education/training and advertising.

The national counselor accreditation grant is a reimbursement agreement not to exceed \$1,600 annually for each participant seeking national accreditation. The Department will seek repayment of funds from individual grantees who do not obtain the national accreditation, as required by 2 CCR 502-5 20.420.B. Additionally, the Legislature has authorized the Department to spend \$50,000 out of the total \$269,000 appropriated to market the Gambling Addiction Program to potential treatment providers/contractors seeking national counselor accreditation, or individuals seeking gambling addiction treatment. The marketing was approved to address a lack of responses to the RFAs and lack of client enrollment for the providers/contractors. The \$50,000 is in addition to the 5% marketing/education materials (discussed above). Furthermore, the Department has awarded \$74,400 to conduct an evaluation to evaluate demand for both counseling and accreditation grants as advised in Recommendation 5A. As the Department receives additional applications, the remaining funds (approximately \$66,000) will be spent on gambling addiction counseling treatment services and to reimburse individual grantees pursuing national counselor accreditation.