

STATE OF COLORADO

DEPARTMENT OF REVENUE

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John W. Hickenlooper
Governor

Barbara J. Brohl
Executive Director

June 24, 2014

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

Dear Ms. Ray:

In response to your request, we have prepared an updated status report regarding the implementation of audit recommendations contained in the August 2013 *Performance Audit of the Property Tax, Rent, and Heat Rebate Program*. The attached report provides a brief explanation of the actions taken by the Department of Revenue to implement each recommendation.

I'd like to take an opportunity to thank the State Auditor's Office for identifying the potential to improve the Property Tax Credit and Rent Rebate Program. Furthermore, I would like to acknowledge the efforts of both my staff and that of the Department of Human Services. Both groups worked diligently to identify potential issues and to create a process that is sustainable and will improve public awareness of the program, while retaining existing processing efficiencies. I believe the result is a clear win for the citizens of the State of Colorado.

If you have any questions, please do not hesitate to contact me at 303 866 5610 or by email at barbara.brohl@state.co.us.

Sincerely,

A handwritten signature in black ink that reads "Barbara J. Brohl".

Barbara J. Brohl
Executive Director

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Property Tax, Rent, and Heat Rebate Program, Performance Audit

AUDIT NUMBER: 2204

DEPARTMENT/AGENCY/ENTITY: Department of Revenue

DATE: June 24, 2014

SUMMARY INFORMATION

Rec. Number	Agency's Response	Original Implementation Date	Implementation Status	Revised Implementation Date
1a	Agree	Implemented	Implemented	
1b	Agree	August 2013	Implemented	
1c	Agree	January 2014	Implemented	
2	Agree	January 2014	Implemented	
3a	Agree	January 2014	Implemented	
3b	Agree	January 2014	Implemented	
3c	Agree	January 2014	Implemented	
4a	Agree	January 2014	Implemented	
4b	Agree	January 2014	Implemented	
5a	Agree	January 2015	Implemented	
5b	Agree	January 2015	Implemented	

DETAIL OF IMPLEMENTATION STATUS

Note: The Department of Revenue agreed with all of the audit recommendations.

Recommendation No. 1:

The Department of Revenue should ensure that it pays eligible participants the proper Property Tax, Rent, and Heat Rebate by:

- a. Maintaining a process for ensuring that GenTax system updates occur and are tested prior to January 1 each year.
- b. Attempting to contact and issue payments to underpaid participants for amounts underpaid or incorrectly denied and attempting to recover payments from participants who were overpaid or who were incorrectly deemed eligible.
- c. Creating a process to notify individuals whose applications are approved of their rebate amount and schedule of payments in writing.

Agency's Update on Current Implementation Status of Recommendation:

- a. Current Implementation Status: Implemented.

The Department of Revenue identified the system issue and made the appropriate change discussed in this recommendation in February 2012. The change was effective for the remainder of the 2011 rebate year. The Department updated its year end processes to ensure that system updates for the PTC program were identified and properly tested by December 2012 for the 2012 rebate year. The process utilized for the 2012 rebate year was and will be used for all subsequent years.

- b. Current Implementation Status: Implemented.

The Department of Revenue made payments to those beneficiaries in August 2013. Pursuant to discussions with both the Legislative Audit Committee and officials serving on the Economic Opportunity and Poverty Reduction Task Force, and Senate Bill 14-014, the Department did not bill those beneficiaries that received the rebate inappropriately.

- c. Current Implementation Status: Implemented.

The Department of Revenue created letters as part of the year end system changes and these letters, delineating the expected benefit by period, are included in correspondence with the applicant.

Recommendation No. 2:

The Department of Revenue should ensure that it has sufficient and accurate information to verify that Property Tax, Rent, and Heat Rebate Program applicants are disabled. This should include establishing controls to ensure that GenTax has information necessary, including applicants' disability onset date and payment amounts, to confirm applicants' disability status before approving applications. When applicants do not have sufficient information in GenTax, the Department should obtain additional documentation of disability status from the Department of Human Services or the applicant as necessary to verify the disability.

Agency's Update on Current Implementation Status of Recommendation:

Current Implementation Status: Implemented.

The Department of Revenue developed a process to notify the Department of Human Services when necessary information is incomplete or missing. The Department modified our tax system, GenTax, business rules to ensure an applicant's disability onset and payment amount are included and notified the Department of Human Services of the statutory requirements necessary to process PTC applications. The Department updated procedures to require that the application has the necessary disability information to be approved, provided either by the Department of Human Services or by the applicant.

Recommendation No. 3:

The Department of Revenue should ensure that Property Tax, Rent, and Heat Rebate (PTC) Program applications are only denied based on reasons supported in statute and rules by:

- a. Discontinuing the practice of requiring that applicants' addresses match the address on file in the Division of Motor Vehicles' database to be eligible for the PTC Program.
- b. Discontinuing the practices of subtracting gifts from applicants' expenses and denying applicants solely because their expenses exceed their income.
- c. Ensuring that in person applicants may claim the heat rebate for any heat source. This should include training staff to ensure that they allow applicants to claim expenses from all heat sources.

Agency's Update on Current Implementation Status of Recommendation:

- a. Current Implementation Status: Implemented.

The Department of Revenue reviewed the statutory requirements and the rules and regulations governing the PTC Program, and determined the only requirement is that the applicant's identification is valid, not that the identification's address match the application, when determining eligibility. As a result, the Department changed its business rules in the tax system, GenTax, to discontinue requiring that the address on an application matches the applicant's address in the DMV database, effective with the 2013 application period.

b. Current Implementation Status: Implemented.

The Department of Revenue discontinued the practice of subtracting gifts from an applicant's expenses starting with the 2013 application period and updated our training and procedures to reflect this change. The PTC application form directs applicants to not include gifts received as income. The Department discontinued the practice of denying an application outright solely because the expenses exceed income; rather the Department requests additional information from the applicant.

c. Current Implementation Status: Implemented.

The Department of Revenue updated procedures and provided training to staff that applicants may claim the heat rebate for any heat source effective with the 2013 application process. The Department participated in the Denver Homeless Connect 2013 in September 2013. Staff in attendance was aware of the change and were able to explain to applicants that a heat rebate from any source would be accepted.

Recommendation No. 4:

The Department of Revenue should improve outreach for the Property Tax, Rent, and Heat Rebate (PTC) Program by:

- a. Determining the most cost-effective and efficient methods for providing PTC Program information to recipients of Old Age Pension (OAP) and the Public Employees' Retirement Association (PERA) beneficiaries. This should include reviewing the statutory requirement that the Department send Program forms to counties and PERA every year. Based upon its conclusions, the Department should work with the General Assembly to amend statutory language, as necessary.
- b. Working with the Department of Human Services (DHS) and other governmental and nongovernmental organizations to identify low-cost methods to promote awareness of the PTC Program. These methods could include developing joint advertisements, collaborating with DHS to contact organizations that work with elderly and disabled populations, and notifying individuals about the Program on the application forms of programs that serve similar populations. As needed, the Department should develop a memorandum of understanding with DHS to outline the roles and responsibilities of each department.

Agency's Update on Current Implementation Status of Recommendation:

a. Current Implementation Status: Implemented.

The Department of Revenue worked with Department of Human Services to leverage their relationship with the county social services departments to provide sufficient copies of the PTC forms to Old Age Pension recipients in the most efficient and effective manner. The Department contacted PERA to discuss providing copies of the PTC forms to its beneficiaries. The Department was in the process of signing a memorandum of understanding with PERA regarding their statutory requirements as they relate to this finding, but delayed a final agreement pending the outcome of Senate Bill 14-14. SB14-14 makes changes to the PTC program in a manner which promotes the Department's strength in processing the applications and the Department of Human Services' strength in identifying and working with the population that is eligible for the PTC benefit, and which also eliminates the requirement that the Department send applications to Old Age Pension recipients and to members of public pension systems. Thus, a memorandum of understanding with PERA was no longer necessary.

b. Current Implementation Status: Implemented.

The Department of Revenue worked with the Department of Human Services and other interested parties to promote the awareness of the PTC program. Senate Bill 14-14 clarifies the roles and responsibilities of each department in promoting the PTC program.

Recommendation No. 5

The Department of Revenue and the Department of Human Services (DHS) should work together on options to ensure the Property Tax, Rent, and Heat Rebate (PTC) Program operates as effectively as possible by:

- a. Evaluating the potential benefits and costs of moving the PTC Program or some Program responsibilities to DHS and determining if doing so would be in the best interests of the State and Program participants.
- b. Reporting the results of the evaluation recommended in part "a" to the appropriate General Assembly Committees of Reference and the Legislative Audit Committee and working with the General Assembly as needed on statutory changes if the determination is made that the PTC Program, either in whole or in part, should be transferred to DHS.

Agency's Update on Current Implementation Status of Recommendation:

a. Current Implementation Status: Implemented.

The Department of Revenue met with representatives of the Economic Opportunity and Poverty Reduction Interim Committee and discussed the audit findings and potential solutions. From that meeting the interim committee drafted SB 14-14 that addresses many

of the audit's findings and recommendations, makes changes to the PTC program in a manner which promotes the Department's strength in processing the applications and the Department of Human Services' strength in identifying and working with the population that is eligible for the PTC benefit, and which also eliminates the requirement that the Department send applications to Old Age Pension recipients and to members of public pension systems.

b. Current Implementation Status: Implemented.

The Department of Revenue believes the legislation drafted by the Economic Opportunity and poverty Reduction Interim Committee addresses this recommendation.

STATE OF COLORADO



Colorado Department of Human Services
people who help people

OFFICE OF ECONOMIC SECURITY
 Levetta Love, Office Director

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 Denver, CO 80203-1714
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John W. Hickenlooper
 Governor

Reggie Bicha
 Executive Director

July 15, 2014

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

Dear Ms. Ray:

In response to your request, we have prepared an updated status report regarding the implementation of audit recommendations contained in the August 2013 *Performance Audit of the Property Tax, Rent, and Heat Rebate Program*. The attached report provides a brief summary of the actions taken by the Department of Human Services to implement each recommendation.

On behalf of the Department, I thank the Office of the State Auditor and the Legislative Audit Committee for the opportunity to work with you and the Department of Revenue to improve this important program for low-income, senior, and disabled Coloradans. If you have any questions, please do not hesitate to contact me at (303) 866-5050 or by email at Levetta.love@state.co.us.

Sincerely,

Levetta Love
 Director, Office of Economic Security

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Property Tax, Rent, and Heat Rebate Program, Performance Audit

AUDIT NUMBER: 2204

DEPARTMENT/AGENCY/ENTITY: Department of Human Services

DATE: 7/15/2014

SUMMARY INFORMATION

Rec. Number	Agency's Response	Original Implementation Date	Implementation Status	Revised Implementation Date
Note: Only audit recommendations addressed to the Department of Human Services are shown below.				
4b	Agree	January 2014	Implemented	
5a	Partially Agree	January 2015	Partially Implemented	
5b	Partially Agree	July 2015	Partially Implemented	

DETAIL OF IMPLEMENTATION STATUS

Recommendation No. 4:

The Department of Revenue should improve outreach for the Property Tax, Rent, and Heat Rebate (PTC) Program by:

- b. Working with the Department of Human Services (DHS) and other governmental and nongovernmental organizations to identify low-cost methods to promote awareness of the PTC Program. These methods could include developing joint advertisements, collaborating with DHS to contact organizations that work with elderly and disabled populations, and notifying individuals about the Program on the application forms of programs that serve similar populations. As needed, the Department should develop a memorandum of understanding with DHS to outline the roles and responsibilities of each department.

Agency's Update on Current Implementation Status of Recommendation:

Current Implementation Status: Implemented.

DHS, in partnership with DOR, has implemented the following PTC outreach efforts since August 2013:

1. **County training** – DHS has included PTC eligibility requirements and referral procedures in ongoing training for county Low Income Energy Assistance Program (LEAP), Old Age Pension (OAP), and Aid to the Needy Disabled (AND) eligibility workers. This includes training curriculum and ongoing communications with workers such as newsletters and regular networking meetings.
2. **Distribution of materials** – LEAP, OAP and AND are distributing a PTC informational flier to agency and community partners.
3. **Inclusion of PTC in LEAP Media Campaign** – information on the PTC was included in LEAP's 2013-14 annual seasonal kick-off press release. The release was picked up by both print and television media.
4. **Inclusion of PTC on LEAP program materials** – information on how to apply for the PTC is included on the LEAP application.
5. **Mailing of PTC application to OAP recipients** – The departments collaborated on a data-match to determine which OAP recipients had not received a PTC application, and an application was sent to those recipients.

In addition to the above activities, DHS and DOR are working closely with partner agency the Piton Foundation in their tax preparation assistance efforts. Specifically, the departments are working with Piton to provide:

1. **PTC application assistance at free tax preparation sites** – Piton has 27 free tax preparation assistance sites, also called Volunteer Income Tax Assistance (VITA) sites, at community colleges throughout the state. Volunteers staffing the sites are trained on how to provide PTC application assistance.
2. **Distribution of materials** - informational materials are provided at all 27 Piton sites. Piton has added PTC information to their EITC outreach materials and to their website. The departments are working with the Colorado Asset Building

Coalition (CABC) and AARP to ensure that the VITA sites and other partners that these organizations support have informational materials and application packets.

3. **211 information and referral service** - 211 operators are trained on the PTC and are provided with referral information for the 211 operator script.

Recommendation No. 5

The Department of Revenue and the Department of Human Services (DHS) should work together on options to ensure the Property Tax, Rent, and Heat Rebate (PTC) Program operates as effectively as possible by:

- a. Evaluating the potential benefits and costs of moving the PTC Program or some Program responsibilities to DHS and determining if doing so would be in the best interests of the State and Program participants.
- b. Reporting the results of the evaluation recommended in part “a” to the appropriate General Assembly Committees of Reference and the Legislative Audit Committee and working with the General Assembly as needed on statutory changes if the determination is made that the PTC Program, either in whole or in part, should be transferred to DHS.

Agency’s Update on Current Implementation Status of Recommendation:

- a. Current Implementation Status: Partially Implemented.

DHS is working with DOR to analyze PTC participation data and dual enrollment in PTC, OAP, and AND to evaluate the success of additional outreach efforts conducted over the past year. Results of that evaluation will be available by January 2015. DHS believes that successful implementation of recommendation 4b may preclude the need to consider moving the program. However, if the evaluation demonstrates that the outreach efforts were ineffective, DHS will work with DOR to determine other options, including moving a portion or the entire PTC to DHS.

- b. Current Implementation Status: Partially Implemented.

Pursuant to SB 14-014, DHS will report to the joint Health and Human Services committees by July of 2015 regarding an evaluation of outreach efforts and related recommendations, including statutory changes.