

2011

MINUTES OF THE  
LEGISLATIVE AUDIT  
COMMITTEE



## *State of Colorado*

### LEGISLATIVE AUDIT COMMITTEE

Legislative Services Building - Second Floor  
200 East 14<sup>th</sup> Avenue  
Denver, Colorado 80203

LOIS TOCHTROP, CHAIR  
Senator  
CINDY ACREE, VICE-CHAIR  
Representative  
MORGAN CARROLL  
Senator  
DEB GARDNER  
Representative

JIM KERR  
Representative  
STEVE KING  
Senator  
JOE MIKLOSI  
Representative  
SCOTT RENFROE  
Senator

### LEGISLATIVE AUDIT COMMITTEE January 18, 2011 MINUTES

A meeting of the Legislative Audit Committee convened at 7:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

**MEMBERS:** Senator Carroll, Representative Gardner, Representative Kerr, Senator King, Representative Miklosi, Senator Renfroe

**ABSENT:** Representative Acree

**STAFF PRESENT:** Sally Symanski, State Auditor; Dianne Ray, Cindi Stetson, Deputy State Auditors; Cindi Radke, Sarah Aurich, Jonathan Trull, Crystal Dorsey; other staff members were present

**ALSO PRESENT:** Reginald Jefferson, George Kennedy, Viki Manley, Department of Human Services; Karla Willschau, Wall, Smith, Bateman & Associates, Inc.; Mike King, Department of Natural Resources; Dean Winstanley, Eric Scholz, Steve Cassin, Division of Parks and Outdoor Recreation; Gary Butterworth, State Parks Board

**7:05 a.m. Election of Officers**

In accordance with the rules of the Legislative Audit Committee, the Vice-Chair shall succeed to the Chair and a new Vice-Chair shall be elected. The Chair and Vice-Chair shall be members of opposite parties, and the Vice-Chair's post shall alternate chambers every two years. Therefore, Senator Tochtrop assumed the Chair.

Chair Tochtrop opened the nominations for Vice-Chair. A motion was made by Representative Kerr and seconded by Representative Gardner to nominate and elect Representative Acree as Vice-Chair for the Legislative Audit Committee. Motion passed unanimously.

An orientation on the role of the Legislative Audit Committee and the Office of the State Auditor was conducted.

**7:21 A.M.**

**COLORADO STATE AND VETERANS  
NURSING HOME AT RIFLE  
FINANCIAL AND COMPLIANCE AUDIT  
FISCAL YEAR ENDED JUNE 30, 2010**

Department of Human Services

George Kennedy, Interim Executive Director

Viki Manley, Division Director, State and Veterans  
Nursing Homes

Reginald Jefferson, Director, Office of Operations

Office of the State Auditor

Sally Symanski, State Auditor

Dianne Ray, Deputy State Auditor

Cindi Radke, Managing Legislative Auditor

Wall, Smith, Bateman & Associates, Inc.

Karla Willschau, Contractor

The Colorado State and Veterans Nursing Home at Rifle financial and compliance audit was previously released at the December 14, 2010 Legislative Audit Committee hearing, therefore, no motion was required to release the audit.

Following introductions and opening remarks, Karla Willschau provided an overview and purpose of the Colorado State and Veterans Nursing Home at Rifle financial and compliance audit.

**7:38 a.m.** Recommendations 1 – 3 were reviewed, discussed, and agreed to by Department of Human Services' staff.

In response to a question from Senator Carroll, Viki Manley explained that the Nursing Home at Rifle experienced a change in management and was inadequately staffed for a period of time which contributed to the negative income trend. Ms. Manley stated that new management has been in place for approximately one-year and the Department was seeing positive results.

In response to a question from Senator Tochtrop, Ms. Manley stated that the Nursing Home at Rifle competes with other local nursing facilities and needs to build up its census by community outreach.

In response to a question from Representative Gardner, Reginald Jefferson stated that as of November 2010, the Nursing Home at Rifle has a negative cash balance but that state nursing homes as a whole had a positive cash balance.

**7:51 a.m.** In response to questions from Senator Renfroe and Representative Kerr, State Auditor Symanski explained how revenue and expenses for all state homes are tracked individually but that for the purposes of the TABOR enterprise calculation, the Department of Human Services has made the decision to treat the funds as a group.

In response to a question from Senator Tochtrop, State Auditor Symanski explained that Medicaid payments made to residents of the home are not considered state or federal funds for the purposes of grant calculations.

In summary and in response to a question from Senator King, Mr. Jefferson and Ms. Manley assured the Committee that the home at Rifle is solvent and that staffing is stable. Mr. Kennedy stated that the Department has no plans to close the Rifle home.

**8:04 a.m. GENERAL BUSINESS**

**Minutes**

A motion was made by Senator Carroll and seconded by Senator King to approve the minutes of December 13 & 14, 2010. Motion passed unanimously.

**Status Reports with Agency Representation**

Following introductions and a brief overview of the Division of Parks and Outdoor Recreation performance audit released in July 2008, an update on actions taken by the Division of Parks and Outdoor Recreation (Division) and the State Parks Board regarding the implementation status of recommendations contained in the audit was provided.

**8:17 a.m.** Representative Acree arrived.

Dean Winstanley stated that approximately 95% of the audit recommendations have been implemented. A copy of State Parks' 5-year Financial Plan that was adopted by the State Parks Board in November 2010 was provided to the Committee.

In response to questions from Senator Carroll and Representative Acree, Mr. Winstanley discussed the Division's various strategies to address the funding challenges resulting from the State's budget shortfall.

In response to a question from Senator King, Mr. Winstanley assured the Committee that the Division does not raise funds by intentionally increasing enforcement actions.



June 30, 2010

Western State College of Colorado, Independent Accountants' Report on the Application of Agreed-Upon Procedures, June 30, 2010

Mesa State College, Independent Accountants' Report on the Application of Agreed-Upon Procedures, June 30, 2010

Adams State College, Report of Independent Accountant on the Application of Agreed-Upon Procedures, June 30, 2010

University of Northern Colorado, Independent Accountants' Report on the Application of Agreed-Upon Procedures to the Athletics Department Statement of Revenues and Expenditures, For the Year Ended June 30, 2010

University of Colorado at Colorado Springs, Department of Intercollegiate Athletics, Independent Accountants' Report on Applying Agreed-Upon Procedures, For the Year Ended June 30, 2010

Motion passed unanimously.

**8:28 a.m. Legislative Matters**

State Auditor Symanski briefly explained bill drafts requested by Representative Kerr and Senator Carroll relating to audit authority of the Office of the State Auditor over Public Highway Authority Performance Audits (LLS No. 11-0144.01) and E-470 Highway Authority Performance Audits (LLS No. 11-0144.02).

Following a question from Senator Renfroe regarding historical audit authority relating specifically to public highway authorities, State Auditor Symanski explained the statutory audit authority of the Office of the State Auditor.

**8:36 a.m.** A motion was made by Senator Carroll and seconded by Representative Kerr to proceed with Committee sponsorship of bill draft LLS No. 11-0144.01 relating to Public Highway Authority Performance Audits. Motion carried by a vote of 6 to 2.

Sponsors: Representative Kerr  
Senator Carroll

Cosponsors: Representative Acree, Representative Gardner, Representative Miklosi,  
Chair Tochtrop

Jonathan Trull reviewed the highlight sheet corresponding to bill draft LLS No. 11-0524 concerning the authority of the State Auditor to conduct audits of security over information technology systems and applications operated by state entities.

A motion was made by Representative Miklosi and seconded by Representative Kerr to proceed with bill draft LLS No. 11-0524.02. Motion passed unanimously.

Sponsors:     Senator King  
                  Representative Acree

Cosponsors:   Senator Carroll, Representative Gardner, Representative Kerr,  
                  Representative Miklosi, Senator Renfroe, Chair Tochtrop

There being no further business to come before the Committee, the meeting adjourned at 8:52 a.m. The next meeting scheduled is on February 1, 2011 at 7:00 a.m.

Minutes submitted by:                   Representative Jim Kerr



LOIS TOCHTROP, CHAIR  
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Senator

### LEGISLATIVE AUDIT COMMITTEE SPECIAL MEETING

**February 8, 2011  
MINUTES**

A meeting of the Legislative Audit Committee convened at 7:30 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

**MEMBERS:** Representative Acree, Senator Carroll, Representative Gardner, Representative Kerr

**EXCUSED:** Senator King, Representative Miklosi, Senator Renfroe

**STAFF PRESENT:** Sally Symanski, State Auditor; Cindi Stetson, Deputy State Auditor; Kathy Joyce, Human Resources Manager

**ALSO PRESENT:** Bob Lackner, Office of Legislative Legal Services

**7:35 a.m.** Following roll call, a motion was made by Representative Acree and seconded by Representative Kerr that the Committee go into executive session in accordance with Section 24-6-402 (3) (a) (II), C.R.S., for the purposes of receiving legal advice on specific legal questions regarding the State Auditor search process. Motion passed unanimously.

The Committee went into executive session.

**7:45 a.m.** Senator King arrived at the meeting.

**7:53 a.m.** Representative Miklosi and Senator Renfroe arrived at the meeting.

**7:57 a.m.** The Committee came out of executive session and a motion was made by Representative Kerr and seconded by Representative Acree to make the search process for the replacement of State Auditor Symanski a Colorado only search. Motion passed unanimously.

The Committee went back into executive session.

**8:57 a.m.** The Committee came out of executive session and a motion was made by Senator Carroll and seconded by Representative Gardner to approve the job description for the State Auditor position. Motion passed unanimously.

A motion was made by Senator Carroll and seconded by Representative Gardner to authorize an advertising budget of up to \$3,500 with a goal to limit print portions to no more than \$600 a piece and to give preference to advertising in professional journals such as the AICPA, Colorado Society, Denver Recruiter, Denver Business Journal, and internet sites such as Monster and the state job announcement site. Motion passed unanimously.

A motion was made by Senator Carroll and seconded by Representative Gardner to give preliminary approval to the suggested timeline to conduct the State Auditor search process. Motion passed unanimously.

A motion was made by Senator Carroll and seconded by Representative Gardner that the screening process include a standardized worksheet to be placed with each application received and that a copy of all applications received be provided to the Committee under confidentiality, and that the screening process not break down into a sub-committee but that all members of the Legislative Audit Committee comprise the hiring committee. Motion passed unanimously.

There being no further business to come before the Committee, the meeting adjourned at 8:59 a.m. The next meeting scheduled is on February 15, 2011 at 7:00 a.m.

Minutes submitted by: Representative Cindy Acree



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## LEGISLATIVE AUDIT COMMITTEE

**February 15, 2011**  
**MINUTES**

A meeting of the Legislative Audit Committee convened at 7:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

**MEMBERS:** Representative Acree, Senator Carroll, Representative Gardner, Representative Kerr, Senator King, Senator Renfroe

**ABSENT:** Representative Miklosi

**STAFF PRESENT:** Sally Symanski, State Auditor; Dianne Ray, Cindi Stetson, Deputy State Auditors; Kerri Hunter, Jonathan Trull, Monica Bowers, Pooja Tulsian, Melissa Canaday; other staff members were present

**ALSO PRESENT:** David McDermott, State Controller; Tammy Nelson, Trevor Borgonah, Melissa Moynham, Office of the State Controller; Roxy Huber, Janet Ford, Steve Norman, Rich Medina, Department of Revenue; Ellen Golombek, Wayne Peel, Department of Labor and Employment; Ester van Mourik, Office of Legislative Services

A motion was made by Representative Acree and seconded by Representative Kerr release the Statewide Single Audit for Fiscal Year Ended June 30, 2010. Motion passed unanimously.

**7:03 a.m.** Representative Miklosi arrived at the meeting.

Following introductions, Dianne Ray provided introductory comments related to the State of Colorado Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010, and the Statewide Single Audit for Fiscal Year Ended June 30, 2010.

**State of Colorado  
Comprehensive Annual Financial Report  
For Fiscal Year Ended June 30, 2010**

Office of the State Controller

David McDermott, State Controller  
Tammy Nelson, Manager, Reporting and Analysis  
Trevor Borgonah, Financial Reporting Analyst  
Melissa Moynham, Financial Reporting Analyst

Office of the State Auditor

Sally Symanski, State Auditor  
Dianne Ray, Deputy State Auditor  
Melissa Canady, Legislative Auditor

**7:14 a.m.** Melissa Canady stated that the Office of the State Auditor issued an unqualified opinion of the State's financial statements. She reviewed selected notes to the financial statements.

Following introductions from David McDermott, Tammy Nelson reviewed information contained in the Management's Discussion and Analysis section of the Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ended June 30, 2010.

**7:44 a.m.** In response to a question from Chair Tochtrop, Mr. McDermott stated that revenue related to SB09-108 FASTER (Funding Advancement for Surface Transportation and Economic Recovery) were recorded and the Department of Transportation will subsequently appropriate funds from the enterprise fund for bridge repairs.

In response to a question from Representative Kerr, Mr. McDermott explained how American Recovery and Reinvestment Act funds are accounted for in the CAFR.

**7:50 a.m.**

**State of Colorado  
Statewide Single Audit  
For Fiscal Year Ended June 30, 2010**

Department of Revenue

Roxy Huber, Interim Executive Director  
Janet Ford, Controller  
Steve Norman, Entry and Edits Manager  
Rich Medina, Information Technology Director

Office of the State Auditor

Sally Symanski, State Auditor  
Dianne Ray, Deputy State Auditor  
Kerri Hunter, Managing Legislative Auditor  
Pooja Tulsian, Legislative Auditor

Recommendations 32, 35, 38 and 39 were reviewed, discussed, and agreed to or partially

agreed to by Department of Revenue staff.

In response to a question from Senator Carroll, Janet Ford explained that the Department has continuously reconciled electronic fund transfer payments on a daily basis and that complete reconciliation processes and procedures will be implemented by June 2011.

**8:20 a.m. GENERAL BUSINESS**

**Minutes**

A motion was made by Representative Miklosi and seconded by Senator Carroll to approve the minutes of January 8, 2011. Motion passed unanimously.

A motion was made by Representative Miklosi and seconded by Representative Kerr to approve the minutes of February 8, 2011. Motion passed unanimously.

**Status Reports with Agency Representation**

Following introductions and a brief overview of the Evaluation of the Unemployment Insurance Trust Fund, Ellen Golombek and Wayne Peel summarized the present financial status of the Colorado Unemployment Insurance Trust Fund and the status of implementation of recommendations in the report.

In response to questions from Representative Kerr and Senator Renfroe, Ms. Golombek stated that a comprehensive package will be presented to the General Assembly for suggested statutory changes to incorporate remedial measures designed to bolster the Unemployment Insurance trust fund solvency.

**8:42 a.m.** The following agenda items were laid over until Tuesday, February 22, 2011: 1) Status Report on Dental Loan Repayment Program Performance Audit, 2) Status Report on SAP Information System Information Technology Audit, 3) Report on State Internet Port Authority Fiscal Year 2010 Financial Audit, and 4) Colorado Department of Transportation Statutory Report on Transportation Revenue Anticipation Notes (TRANS).

**Reports to Be Released Without Benefit of a Formal Hearing**

Following brief comments from Deputy State Auditor Ray, a motion was made by Representative Gardner and seconded by Representative Acree to release the following reports without benefit of a formal hearing:

State of Colorado Department of Treasury, Statement of Federal Land Payments, For the Year Ended September 20, 2010

Colorado Tourism Office Agreed Upon Procedures Report, Fiscal Years Ended June 30, 2010 and 2009

**Other Business**

State Auditor Symanski requested members of the Committee to review the proposed 2011 Interim Calendar and be prepared to adopt the calendar as proposed, or amended, at the hearing on February 22, 2011.

**8:46 a.m. Legislative Matters**

Crystal Dorsey briefly explained bill draft LLS No. 11-0579.01 which resulted from the Cash Funds Uncommitted Reserves Fiscal Year 2010 financial audit. This bill would authorize state agencies and departments to reduce cash fund fees that are set in statute by rule in order to meet the requirements of the limit on cash funds uncommitted reserves set forth by Senate Bill 98-194.

A motion was made by Senator Carroll and seconded by Representative Gardner to proceed with Committee sponsorship of bill draft LLS No. 11-0579.01 concerning the limits on uncommitted reserves in cash funds. Motion carried by a vote of 7 to 1.

Sponsors: Representative Miklosi  
Senator Tochtrop

Cosponsors: Senator Carroll, Representative Gardner

There being no further business to come before the Committee, the meeting adjourned at 8:55 a.m. The next meeting scheduled is on February 22, 2011 at 7:00 a.m.

Minutes submitted by: Representative Cindy Acree



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## LEGISLATIVE AUDIT COMMITTEE

February 22, 2011

### MINUTES

A meeting of the Legislative Audit Committee convened at 7:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

- MEMBERS:** Representative Acree, Senator Carroll, Representative Gardner, Representative Kerr, Representative Miklosi, Senator Renfroe
- EXCUSED:** Senator King
- STAFF PRESENT:** Sally Symanski, State Auditor; Dianne Ray, Cindi Stetson, Deputy State Auditors; Greg Fugate, Christopher Harless; other staff members were present
- ALSO PRESENT:** Phillip Washington, Terry Howerter, Bruce Abel, Regional Transportation District; Michael Contino, On Target Performance Group, LLC; John Connelly, Statewide Internet Portal Authority

**7:05 a.m. Evaluation: Bus Cost Allocation Model  
Regional Transportation District  
Denver, Colorado, January 2011**

Regional Transportation District

Phillip Washington, General Manager  
Terry Howerter, Chief Financial Officer  
Bruce Abel, Assistant General Manager  
Bus Operations

Office of the State Auditor

Sally Symanski, State Auditor  
Cindi Stetson, Deputy State Auditor  
Greg Fugate, Managing Legislative Auditor  
Christopher Harless, Legislative Auditor

On Target Performance Group, LLC

Michael Contino, President

A motion was made by Senator Carroll and seconded by Representative Kerr to release the Evaluation of the Bus Cost Allocation Model, Regional Transportation District, January 2011. Motion passed unanimously.

Following introductions, Michael Contino reviewed the information contained in the report and Recommendation 1 (a-e) was reviewed, discussed, and agreed to, partially agreed to, or disagreed with by Regional Transportation District (RTD) staff.

**7:30 a.m.** In response to a question from Senator Carroll, Terry Howerter explained that the District has reviewed the cost drivers relating to scheduled versus actual service miles, as well as the allocation of administrative costs, and believes all cost drivers currently associated with this cost allocation model are generally appropriate.

Recommendation 1c was reviewed and RTD staff explained the District's rationale for disagreeing with this recommendation.

**7:43 a.m.** Senator King arrived at the meeting.

Following review of Recommendation 2, Senator Tochtrop requested the District provide the Committee with a cost saving comparison for using private contractors versus bus routes being operated in-house by the District.

**7:55 a.m.** Recommendation 3 was reviewed and partially agreed to by District staff.

In response to a question from Representative Kerr, Mr. Contino explained that special community events, such as major sporting events, were not taken into account in the Bus Cost Allocation Model evaluation.

Phillip Washington stated that the District will investigate the potential to more fully use the existing cost allocation model after it has been reviewed and updated.

**8:12 a.m.** Committee went into recess and came back to order at 8:15 a.m.

## **GENERAL BUSINESS**

### **Status Reports**

Cindi Stetson briefly reviewed the report provided by the Department of Public Health and Environment on the status of implementation of the recommendations set forth in the Dental Loan Repayment Program performance audit.

Jonathan Trull briefly reviewed the report provided by the Governor's Office of Information Technology on the status of implementation of the recommendations set forth in the SAP Information System information technology audit.

### **8:21 a.m. Other Business**

State Auditor Symanski briefly reviewed the Statewide Internet Portal Authority (SIPA), Financial Statements, June 30, 2010 and 2009. Ms. Symanski explained that the State Auditor is required by statute to submit a written report to the Legislative Audit Committee together with any findings and recommendations provided to SIPA; however, this audit is not conducted or caused to be conducted by the Office of the State Auditor.

In response to a question from Senator Carroll, John Connelly, Executive Director of SIPA, explained that SIPA is contracting with financial accountants to address and implement the audit recommendations.

**8:30 a.m.** State Auditor Symanski briefly reviewed the self-reported statement from the Department of Transportation regarding the annual report to the General Assembly on the Transportation Revenue Anticipation Notes.

Mr. Trull provided a summary of the Venture Capital Authority's annual report on the effects of the results of the implementation of the Venture Capital Program Act.

In response to various questions from Committee members, Mr. Trull explained how the Venture Capital Program is structured.

State Auditor Symanski stated that arrangements will be made to have Venture Capital Authority representatives attend an upcoming Committee hearing to further discuss the Venture Capital Program.

**8:42 a.m.** A motion was made by Representative Kerr and seconded by Representative Gardner to grant approval to the State Auditor to conduct initial research on the request from Representative McKinley for an audit on the sale of the Trinidad State Nursing Home. Motion passed unanimously.

A motion was made by Representative Acree and seconded by Senator Carroll to adopt the proposed Legislative Audit Committee's 2011 interim calendar, as revised.

There being no further business to come before the Committee, the meeting adjourned at 8:47 a.m. The next meeting scheduled is on March 1, 2011 at 7:00 a.m.

Minutes submitted by: Representative Cindy Acree



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## LEGISLATIVE AUDIT COMMITTEE

**March 1, 2011**

### MINUTES

A meeting of the Legislative Audit Committee convened at 7:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

- MEMBERS:** Representative Acree, Senator Carroll, Representative Gardner, Representative Kerr, Senator King, Senator Renfroe
- EXCUSED:** Representative Miklosi
- STAFF PRESENT:** Sally Symanski, State Auditor; Dianne Ray, Cindi Stetson, Deputy State Auditors; Cynthia Hochmiller, Marisa Neff, Ferminia Hebert, Eric Johnson, Jonathan Trull; other staff members were present
- ALSO PRESENT:** Sue Birch, Sue Williamson, Greg Tanner, Donna Kellow, Department of Health Care Policy and Financing; Matt Gianneschi, Mark Cavanaugh, Department of Higher Education; Alice Kotrlik, Nick Lepetsos, Kevin Tilson, Venture Capital Authority

**7:00 a.m.**

**State of Colorado  
Statewide Single Audit  
For Fiscal Year Ended June 30, 2010**

Department of Health Care Policy and Financing

Sue Birch, Executive Director

Sue Williamson, Deputy Director, Client and  
Community Relations Office

Greg Tanner, Controller

Donna Kellow, Division Director, Audits &  
Compliance Division

Office of the State Auditor

Sally Symanski, State Auditor

Dianne Ray, Deputy State Auditor

Cynthia Hochmiller, Managing Legislative Auditor

Marisa Neff, Legislative Auditor

Ferminia Hebert, Legislative Auditor

Following introductions, Dianne Ray provided introductory comments related to the State of Colorado Statewide Single Audit for Fiscal Year Ended June 30, 2010, pertaining to the Department of Health Care Policy and Financing.

Recommendations 5, 8, 55, 56, 57, 60, and 61 were reviewed, discussed, and agreed to or partially agreed to by Department of Health Care Policy and Financing staff.

In response to questions from Representative Kerr and Senator King, Cynthia Hochmiller explained that the federal government would sanction repayment of federally matched funds if misappropriation of funds was discovered. State Auditor Symanski further explained that the audit finding was a reporting error and not an issue of improper use of funds.

**7:13 a.m.** Following discussion of Recommendation 5, Greg Tanner agreed to provide the Committee with the number of facilities impacted by the collection and recording of nursing facility provider fees.

Following review of Recommendation 8, Ms. Hochmiller agreed to provide the Committee with the total number of transactions classified as miscellaneous revenue.

In response to a question from Senator Renfro, Mr. Tanner stated that the Department has addressed the issue of improving controls over the recognition of revenues and this information has been corrected in the current year budget submission.

In response to requests from the Committee, Mr. Tanner agreed to provide the Committee with a summary of the billing errors identified by contingency contractors during the review of miscellaneous revenue; and, whether these errors have resulted in revenue that should be classified as being owed to the Department by providers resulting from overbilling, or classified as amounts being owed back to providers by the Department.

**7:30 a.m.** Following discussion of Recommendation 55, Sue Williamson explained that the Department has implemented a corrective action plan to insure timely termination of Medicaid benefits when recipients become ineligible.

In response to a question from Representative Acree, Ms. Williamson stated that because of the implementation of national health care reform, the Colorado Health Foundation commissioned a study called the Enrollment Strategic Assessment to determine long-term cost effective options to Colorado Benefits Management System (CBMS). Ms. Williamson agreed to provide the Committee a copy of the completed report when it is released.

**7:44 a.m.** In response to a question from Representative Kerr, Ms. Williamson stated that the Department does not have data on statistics involving cases of fraud pursued by county governments.

Following review of Recommendation 56, Ms. Williamson stated that the Department has implemented corrective action to ensure the accuracy of eligibility determination for Medicaid and the Children's Basic Health Plan.

**8:05 a.m.** Recommendations 57, 60, and 61, were reviewed, discussed, and agreed to by Department staff.

**8:20 a.m. GENERAL BUSINESS**

**Minutes**

A motion was made by Senator Carroll and seconded by Representative Acree to approve the minutes of February 15, 2011. Motion passed unanimously.

**Status Reports with Agency Representation**

Following introductions and a brief overview of the Higher Education Student Fees performance audit, Matt Gianneschi reviewed the recommendations made by the Student Fee Working Group for revisions to the Colorado Commission on Higher Education's tuition and fee policy in response to the performance audit.

A motion was made by Senator Carroll and seconded by Representative Acree to proceed with draft legislation to make changes to student fee statutes. Motion passed unanimously.

**Other Business**

**8:47 a.m.** State Deputy Auditor Ray briefly reviewed the 2010 annual report from the Colorado Educational and Cultural Facilities Authority on the Moral Obligation Bond Program.

Ms. Ray briefly reviewed the Office of the State Controller Statutory Loan and Advance Report for Fiscal Year Ended June 30, 2010.

Following introductions of Venture Capital Authority staff, Alice Kotrlik agreed to provide the Committee with a written report summarizing the total cost of the insurance premium tax credits to the State; the amount of revenue generated by the program; and, the number of jobs created by the Venture Capital Program Act.

**9:03 a.m.** Senator Tochtrop announced that the Committee will hold a special meeting on Tuesday, March 8, 2011, at 7:30 a.m. to continue discussions related to the State Auditor search process.

There being no further business to come before the Committee, the meeting adjourned at 9:05 a.m. In addition to the special meeting on March 8, 2011, at 7:30 a.m. to discuss the State Auditor search process, the next regular meeting of the Committee is scheduled for March 15, 2011, at 7:00 a.m.

Minutes submitted by: Representative Cindy Acree



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### LEGISLATIVE AUDIT COMMITTEE SPECIAL MEETING

**March 8, 2011**  
**MINUTES**

A meeting of the Legislative Audit Committee convened at 7:30 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

**MEMBERS:** Representative Acree, Senator Carroll, Representative Gardner, Representative Kerr, Senator Renfroe

**ABSENT:** Senator King, Representative Miklosi

**STAFF PRESENT:** Sally Symanski, State Auditor; Cindi Stetson, Deputy State Auditor; Kathy Joyce, Human Resources Manager

**ALSO PRESENT:** Bob Lackner, Office of Legislative Legal Services; Bruce Feustel, Bob Boerner, National Conference of State Legislatures

**7:30 a.m.** Following roll call, a motion was made by Representative Acree and seconded by Representative Gardner that the Committee go into executive session in accordance with Section 24-6-402 (3) (a) (III), C.R.S., for the purpose of conducting a discussion of matters relating to the State Auditor search process required to be kept confidential by Section 24-72-204 (3) (a) (XI) (A), C.R.S. Motion passed unanimously.

The Committee went into executive session.

**7:35 a.m.** Representative Miklosi arrived at the meeting.

**7:41 a.m.** Senator King arrived at the meeting.

**8:53 a.m.** The Committee came out of executive session and a motion was made by Senator Carroll and seconded by Representative Kerr to proceed with scheduling interviews with all applicants who meet the minimum qualifications for the position of the State Auditor; and, that the Committee direct the Office of the State Auditor to conduct follow-up contact with applicants where there was ambiguity on the applicants' application regarding their qualifications. Motion passed unanimously.

There being no further business to come before the Committee, the meeting adjourned at 8:55 a.m. The next meeting scheduled is on March 29, 2011 at 7:00 a.m.

Minutes submitted by: Representative Cindy Acree



LOIS TOCHTROP, CHAIR  
Senator  
CINDY ACREE, VICE-CHAIR  
Representative  
MORGAN CARROLL  
Senator  
DEB GARDNER  
Representative

*State of Colorado*  
LEGISLATIVE AUDIT COMMITTEE  
Legislative Services Building - Second Floor  
200 East 14<sup>th</sup> Avenue  
Denver, Colorado 80203

JIM KERR  
Representative  
STEVE KING  
Senator  
JOE MIKLOSI  
Representative  
SCOTT RENFROE  
Senator

## LEGISLATIVE AUDIT COMMITTEE

**March 15, 2011**  
**MINUTES**

A meeting of the Legislative Audit Committee convened at 7:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

**MEMBERS:** Representative Acree, Representative Gardner, Representative Kerr, Senator King, Senator Renfroe

**EXCUSED:** Senator Carroll

**ABSENT:** Representative Miklosi

**STAFF PRESENT:** Sally Symanski, State Auditor; Dianne Ray, Deputy State Auditor; Cindi Radke, Jonathan Trull, Jonathan Caldwell, Eric Johnson; other staff members were present

**ALSO PRESENT:** Senator Giron; Reggie Bicha, Pauline Burton, Sue McGinn, George Kennedy, Rosemarie Allen, Lloyd Malone, Leslie Bulicz, Department of Human Services; Ronald Ozga, Governor's Office of Information Technology; Tom Lipetzky, Department of Agriculture; Vince Vigil, Ed Cordes, Colorado State Fair Authority Board of Commissioners; Chris Wiseman, Colorado State Fair Authority; Karla Willschau, Wall, Smith, Bateman & Associates

**7:02 a.m.** Senator Carroll arrived at the meeting.

**7:05 a.m.**

**STATE OF COLORADO  
STATEWIDE SINGLE AUDIT  
FOR FISCAL YEAR ENDED JUNE 30, 2010**

Department of Human Services

Reggie Bicha, Executive Director  
Pauline Burton, Deputy Director, Office of  
Self-Sufficiency and Independence  
Sue McGinn, Division Manager, Food and  
Nutrition Programs

Governor's Office of Information Technology

Ronald Ozga, Agency IT Director

Office of the State Auditor

Sally Symanski, State Auditor  
Dianne Ray, Deputy State Auditor  
Cindi Radke, Managing Legislative Auditor  
Jonathan Trull, Managing Legislative Auditor  
Jonathan Caldwell, Legislative Auditor Supervisor

Following introductions, Jonathan Caldwell reviewed the information contained in the report and Recommendations 78 and 79 were reviewed, discussed, and agreed to by staff from the Department of Human Services.

**7:08 a.m.** Representative Miklosi arrived at the meeting.

**7:11 a.m.** In response to a question from Senator Tochtrop, Sue McGinn stated that inaccuracies of eligibility determinations and benefit payments for the Supplemental Nutrition Assistance Program/Food Assistance program among the counties vary and depend upon county staff retention rates.

In response to questions from Representative Acree and Representative Gardner, Ms. McGinn stated that the majority of issues system experienced when using the Colorado Benefits Management System (CBMS) have been resolved and data entry errors can be attributed to lack of staff training and increases in worker caseload at the counties.

**7:19 a.m.** In response to a question from Senator Renfroe, Ms. McGinn stated that there are 195,000 cases currently being administered in CBMS for Food Assistance, which represents an increase in 80,000 cases over the past two years. Dianne Ray further explained the sampling process used by the auditors to examine internal controls.

In response to a question from Senator Renfroe, Ms. McGinn explained the Department's internal quality control procedures.

Recommendation 23 was reviewed, discussed, and agreed to or partially agreed to by staff from the Governor's Office of Information Technology assigned to provide IT support to the Department of Human Services.

**7:30 a.m.** In response to a question from Representative Acree, Ronald Ozga explained the different purposes for and data collected by CBMS and the Colorado Financial Management System (CFMS).

In response to a question from Senator King, Jonathan Trull explained the Department's internal security assessment as compared to the procedures used for the annual audit that is conducted by the Office of the State Auditor.

**7:33 a.m.** Committee went into recess and came back to order at 7:37 a.m.

**COLORADO STATE FAIR AUTHORITY  
FINANCIAL AND COMPLIANCE AUDIT  
FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

Department of Agriculture  
Tom Lipetzky, Chief Financial Officer

Colorado State Fair Authority Board of Commissioners  
Vince Vigil, Board President  
Ed Cordes, Board Member

Colorado State Fair Authority  
Chris Wiseman, General Manager

Office of the State Auditor  
Sally Symanski, State Auditor  
Dianne Ray, Deputy State Auditor  
Eric Johnson, Managing Legislative Auditor

Wall, Smith, Bateman & Associates, Inc.  
Karla Willschau, Partner

A motion was made by Representative Acree and seconded by Representative Gardner to release the Colorado State Fair Authority financial and compliance audit. Motion passed unanimously.

**7:48 a.m.** Following introductions, Recommendations 1-5 were reviewed and agreed to by Department of Agriculture and Colorado State Fair Authority staff.

**7:55 a.m.** Chair Tochtrop recognized Senator Angela Giron and invited her to the Committee table.

Following discussion of the State Fair operating loss, Chris Wiseman and Vince Vigil explained that the Fair's primary goal is to showcase Colorado's agricultural economy and educate the state's youth, not to operate at a profit.

In response to a question from Senator Giron, Mr. Wiseman agreed to provide her with projected savings identified in the Governor's Energy Office's energy audit of the State Fair.

In response to a question from Senator King, Mr. Wiseman explained the working relationship the State Fair has with various cities and counties.

**8:34 a.m.** Committee went into recess and came back to order at 8:36 a.m.

### **GENERAL BUSINESS**

#### **Minutes**

A motion was made by Senator Carroll and seconded by Representative Gardner to approve the minutes of February 22, 2011. Motion passed unanimously.

A motion was made by Senator Carroll and seconded by Representative Gardner to approve the minutes of March 1, 2011. Motion passed unanimously.

#### **Status Report with Agency Representation**

Following introductions and a brief overview of the American Recovery and Reinvestment Act of 2009 Single Audit Internal Control Pilot Project, Phase 2, financial audit by Eric Johnson, George Kennedy provided an update to Recommendations 4, 5, and 6 from the audit.

Leslie Bulicz stated that Recommendations 4, 5, and 6 are addressed in Rule 10-9-23-2 which is scheduled for final adoption by the State Board of Human Services on March 4, 2011.

In response to the Committee's request in December 2010 to provide information about the response to Recommendation 11, Mr. Kennedy provided a summary of the various steps and processes the Department of Human Services uses to oversee Child Placement Agencies (CPAs).

In response to a question from Senator Renfroe, Lloyd Malone explained purpose and content of the Report of Inspection letters sent to various CPA's.

#### **Report to Be Released Without Benefit of a Formal Hearing**

Following brief comments from Deputy State Auditor Ray, a motion was made by Senator Carroll and seconded by Representative Acree to release the following report without benefit of a formal hearing:

Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR), March 2011

Motion passed unanimously.

**8:50 a.m.** The following agenda items were laid over until Tuesday, March 29, 2011: 1) Request for Audit of the Public Utilities Commission, 2) Request for Audit of Tobacco Tax Revenue, and 3) Update on Audit Request on Medicaid Payments to Deceased Persons.

There being no further business to come before the Committee, the meeting adjourned at 8:53 a.m. There will be a special meeting on March 24, 2011, at 5:00 p.m. to conduct interviews for the position of State Auditor; the next regular meeting of the Committee is scheduled for March 29, 2011, at 7:00 a.m.

Minutes submitted by: Representative Cindy Acree



LOIS TOCHTROP, CHAIR  
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Senator

**LEGISLATIVE AUDIT COMMITTEE  
SPECIAL MEETING**

**March 24, 2011  
MINUTES**

A special meeting of the Legislative Audit Committee convened at 5:00 p.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

**MEMBERS:** Representative Acree, Senator Carroll, Representative Gardner, Representative Kerr, Senator King

**EXCUSED:** Representative Miklosi, Senator Renfroe

**STAFF PRESENT:** Sally Symanski, State Auditor; Cindi Stetson, Deputy State Auditor; Kathy Joyce, Human Resources Manager

**5:00 p.m.** Following roll call, a motion was made by Representative Acree and seconded by Senator Carroll that the Committee go into executive session in accordance with Section 24-6-402 (3) (b) (I), C.R.S., for the consideration of candidates and interviews of candidates for the position of State Auditor on the basis that the candidates being considered have requested that these proceedings be held in executive session. Motion passed unanimously.

The Committee went into executive session.

**5:10 p.m.** Senator Renfroe arrived at the meeting.

**6:35 p.m.** Representative Miklosi arrived at the meeting.

**8:02 p.m.** The Committee came out of executive session.

There being no further business to come before the Committee, the meeting adjourned at 8:02 p.m. The next meeting scheduled is on March 29, 2011 at 7:00 a.m.

Minutes submitted by: Representative Cindy Acree



LOIS TOCHTROP, CHAIR  
Senator  
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## LEGISLATIVE AUDIT COMMITTEE

March 29, 2011

### MINUTES

A meeting of the Legislative Audit Committee convened at 6:58 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

**MEMBERS:** Senator Carroll, Representative Gardner, Representative Kerr, Senator King, Senator Renfroe

**ABSENT:** Representative Acree, Representative Miklosi

**STAFF PRESENT:** Sally Symanski, State Auditor; Dianne Ray, Cindi Stetson, Deputy State Auditors; Jenny Page, Jacob Wager, Monica Bowers, Cynthia Hochmiller; other staff members were present

**ALSO PRESENT:** Kathy Nesbitt, Jennifer Okes, Guy Mellor, Department of Personnel and Administration; Gayle Stack, Brad Mallon, Department of Human Services; Tom Clements, Department of Corrections; Bob Jaros, Office of the State Controller; Donna Kellow, Robert Douglas, Department of Health Care Policy and Financing

**6:59 a.m. ADMINISTRATIVE LEAVE USE IN THE  
STATE PERSONNEL SYSTEM,  
PERFORMANCE AUDIT, JANUARY 2011**

Department of Personnel and Administration

Kathy Nesbitt, Executive Director  
Jennifer Okes, Deputy Executive Director  
Guy Mellor, Director, Division of Human Resources

Department of Human Services

Gayle Stack, Interim Deputy Executive Director  
Brad Mallon, Human Resources Director

Department of Corrections

Tom Clements, Executive Director

Office of the State Auditor

Sally Symanski, State Auditor  
Cindi Stetson, Deputy State Auditor  
Jenny Page, Managing Legislative Auditor  
Jacob Wager, Legislative Auditor

A motion was made by Representative Kerr and seconded by Senator Carroll to release the Administrative Leave Use in the State Personnel System performance audit. Motion passed unanimously.

**7:03 a.m.** Representative Miklosi arrived at the hearing.

Following introductions, Recommendations 1-4 were reviewed, discussed, and agreed to by the Department of Personnel and Administration (Department), the Department of Human Services, and the Department of Corrections.

**7:21 a.m.** In response to a question from Senator King, Kathy Nesbitt explained that the Department will encourage agencies and institutions to track and report a consistent level of detail related to administrative leave in timekeeping systems, including the reason for granting administrative leave.

In response to questions from Representative Kerr and Senator Renfroe, Jacob Wager and Ms. Nesbitt explained that employees are fully compensated when placed on administrative leave, including full benefits. Ms. Nesbitt explained that all benefits are continued during administrative leave because an employee is presumed innocent, particularly in investigatory cases, until a decision is reached to prevent penalizing an employee inappropriately.

**7:48 a.m.** In response to a question from Senator Carroll, Ms. Nesbitt stated that the Department is working with a consultant to investigate various automated time management systems in an effort to unify all state agencies in time keeping procedures.

**7:52 a.m.** Committee went into recess and came back to order at 7:56 a.m.

**7:57 a.m.** Representative Acree arrived at the hearing.

## **GENERAL BUSINESS**

### **Minutes**

A motion was made by Representative Acree and seconded by Senator Carroll to approve the minutes of March 8, 2011. Motion passed unanimously.

A motion was made by Senator Carroll and seconded by Representative Kerr to approve the minutes of March 15, 2011. Motion passed unanimously.

### **Audit Requests**

In response to a request from Senator Scott Renfroe and Senator Steve King for an audit of the Public Utilities Commission (PUC), the Committee unanimously approved a motion by Senator Renfroe and seconded by Senator King allowing the State Auditor to conduct initial research to determine if an audit of the PUC is warranted.

In response to a request from Representative Cindy Acree for an audit of the collection, distribution and utilization of Tobacco Tax revenue as a result of Amendment 35 and the Tobacco Settlement funds, the Committee unanimously approved a motion by Representative Acree and seconded by Representative Kerr allowing the State Auditor to conduct initial research to determine if an audit of Tobacco Tax revenue is warranted.

In response to a request from Representative Larry Liston for an audit of the Colorado Division of Real Estate under the Colorado Department of Regulatory Agencies, the Committee unanimously approved a motion by Representative Kerr and seconded by Representative Gardner allowing the State Auditor to conduct initial research to determine if an audit of the Division of Real Estate is warranted.

In response to preliminary research by the State Auditor into a request from Representative Marsha Looper for an audit of the Colorado Conservation Easement Income Tax Credit program, the Committee unanimously approved a motion by Representative Kerr and seconded by Senator Carroll allowing the State Auditor to conduct a full audit of the Colorado Conservation Easement Income Tax Credit program.

In response to preliminary research by the State Auditor into a request from Representative Wesley McKinley for an audit of the sale of the Trinidad State Nursing Home, the Committee unanimously approved a motion by Senator Carroll and seconded by Representative Kerr allowing the State Auditor to conduct an audit of the sale of the Trinidad State Nursing Home.

Deputy State Auditor Dianne Ray informed the Committee that Senator Mike Kopp officially withdrew his request for an audit of the Department of Health Care Policy and Financing's Medicaid payments to deceased individuals based on previous audit work performed and recommendations by the Office of the State Auditor in this area.

In response to a request from Senator Tochtrop, Ms. Ray agreed to work with the Department of Health Care Policy and Financing to provide the Committee with a summary report of Medicaid claims improperly paid to deceased individuals by category.

**8:12 a.m. Status Report without Agency Representation**

Following a brief overview of the Colorado Low-Income Telephone Assistance Program (LITAP) performance audit, Deputy State Auditor Cindi Stetson reviewed the self-reported status reports from the Public Utilities Commission of the Department of Regulatory Agencies and the Department of Human Services regarding the implementation status of the recommendations made as a result of the audit.

Concern was expressed by some members of the Committee on the statements made by the Public Utilities Commission regarding its position that it cannot administer LITAP without further funding.

**8:20 a.m. Other Business**

A motion was made by Representative Acree and seconded by Representative Kerr to place the name of Dianne Ray as State Auditor effective July 1, 2011, before the Executive Committee of Legislative Council for approval and, following the Executive Committee's approval to request a draft for a Joint Resolution appointing Dianne Ray as State Auditor effective July 1, 2011. Motion passed unanimously.

**Other Business with Agency Representation**

The Committee decided to table the discussion regarding the State Controller's request for an exemption for the Department of Health Care Policy and Financing from state recovery audits under HB 10-1176 until June 2011. The Committee was concerned about what parts of the Department would or would not be covered by the other audits cited by the State Controller and the Department. Bob Jaros, who represented the State Controller, said that the law as written does not allow for the exemption to be given at a program level, only at an agency/department level.

**8:47 a.m. Legislation**

State Auditor Symanski gave the Committee a brief update on the status of the bill draft requested by the Committee regarding issues raised in the Higher Education Student Fees performance audit. The bill draft is still under discussion by the higher education community and is not ready for distribution to the Committee. Ms. Symanski has relayed Chair Tochtrop's suggestion to the Department of Higher Education to seek bill sponsorship from a member of one of the education committees.

Senator Tochtrop announced that it will be necessary to convene one more Committee meeting before the end of the Session in order to appoint a temporary State Auditor for the period of June 1 through June 30, 2011 and approve the Joint Resolution appointing Dianne Ray as State Auditor as of July 1, 2011.

There being no further business to come before the Committee, the meeting adjourned at 8:50 a.m. The next regular meeting scheduled is on June 6, 2011 at 10:00 a.m.



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Senator  
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SCOTT RENFROE  
Senator

## LEGISLATIVE AUDIT COMMITTEE SPECIAL MEETING

**April 14, 2011  
MINUTES**

A special meeting of the Legislative Audit Committee convened at 12:30 p.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

**MEMBERS:** Representative Acree, Senator Carroll, Representative Gardner, Representative Kerr, Senator King, Representative Miklosi, Senator Renfroe

**STAFF PRESENT:** Sally Symanski, State Auditor; Dianne Ray, Deputy State Auditor

**ALSO PRESENT:** Bob Lackner, Office of Legislative Legal Services

**12:30 p.m.** Following roll call, a motion was made by Representative Acree and seconded by Representative Kerr to appoint Dianne E. Ray as Interim State Auditor for the period of June 1, 2011 to June 30, 2011. Motion passed unanimously.

A motion was made by Representative Miklosi and seconded by Representative Kerr to approve the draft resolution concerning the appointment of Dianne E. Ray to the position of State Auditor as of July 1, 2011, for a five-year term. Motion passed unanimously.

State Auditor Sally Symanski provided the Committee with an official copy of her resignation letter dated January 19, 2011, effective May 31, 2011.

There being no further business to come before the Committee, the meeting adjourned at 12:37 p.m. The next meeting scheduled is on June 6, 2011 at 10:00 a.m.

Minutes submitted by: Representative Cindy Acree



LOIS TOCHTROP, CHAIR  
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Senator

## LEGISLATIVE AUDIT COMMITTEE

**June 6 & 7, 2011**  
**MINUTES**

A meeting of the Legislative Audit Committee convened at 9:54 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

**MEMBERS:** Senator Carroll, Representative Gardner, Representative Kerr, Representative Miklosi, Senator Renfroe

**EXCUSED:** Representative Acree, Senator King

**STAFF PRESENT:** Dianne Ray, Acting State Auditor; Monica Bowers, Kerri Hunter, Jonathan Trull, Deputy State Auditors; Greg Fugate, Andrew Knauer, Crystal Dorsey, Vickie Heller, Marisa Neff; other staff members were present

**ALSO PRESENT:** Joscelyn Gay, Kenneth Cole, Department of Human Services; Dr. Keith LaGrenade, Fort Logan Mental Health; Donna Strugar-Fritsch, Health Management Associates, Inc.; Blair Richardson, Pinnacol Assurance Board of Directors; Ken Ross, Jeff Tetrick, Pinnacol Assurance; Matt Darden, Diane Craanen, Deloitte & Touche, LLP; Laurel Karabatsos, Jenny Nickerson, Sean-Casey King, Antoinette Taranto, Donna Kellow, Bob Douglas, Lois Jacobs, Department of Health Care Policy and Financing; David McDermott, Bob Jaros, State Controller's Office; Kristin Russell, Travis Schack, Governor's Office of Information Technology

**June 6, 2011**

**10:00 a.m.**

**PSYCHIATRIC MEDICATION PRACTICES  
FOR ADULT CIVIL PATIENTS,  
COLORADO MENTAL HEALTH INSTITUTES,  
DEPARTMENT OF HUMAN SERVICES,  
PERFORMANCE AUDIT, MAY 2011**

Department of Human Services

Joscelyn Gay, Deputy Executive Director

Kenneth Cole, Mental Health Institute Division Director

Office of the State Auditor

Dianne E. Ray, Acting State Auditor

Monica Bowers, Deputy State Auditor

Greg Fugate, Managing Legislative Auditor

Andrew Knauer, Legislative Auditor

Health Management Associates, Inc.

Donna Strugar-Fritsch, Project Director

A motion was made by Senator Carroll and seconded by Representative Kerr to release the Psychiatric Medication Practices for Adult Civil Patients performance audit. Motion passed unanimously.

Following introductions and opening comments, Greg Fugate clarified that the revenue was the total revenue amount for Colorado Mental Health Institutes at Fort Logan and Pueblo in a response to a question from Senator Renfroe.

In response to a question from Representative Gardner, Ken Cole explained the reasoning behind transferring patients from Community Mental Health Centers to the Institutes at Fort Logan and Pueblo. Mr. Cole agreed to provide the Committee with data showing the Institutes' average length of stay data in comparison with some other peer facilities.

**10:20 a.m.** Recommendations 1 and 2 were reviewed, discussed, and agreed to by the Department of Human Services (Department). Mr. Cole stated that standardized policies and procedures will be developed to address the clinical use of emergency and involuntary medication orders for use by both Institutes at Fort Logan and Pueblo.

Joscelyn Gay confirmed that the Department is in the process of a rule revision for all programs, including a review of rules governing emergency and involuntary medications.

In a response to a question from Senator Tochtrop, Mr. Cole stated that patients placed on a 72 hour hold are not placed on a separate ward but are placed appropriately based on patient population.

Recommendation 3 was reviewed, discussed, and agreed to by the Department. Mr. Cole stated that this Recommendation has been implemented at Pueblo Mental Health.

**10:36 a.m.** In response to questions from Representative Kerr and Senator Carroll, Dr. Keith LaGrenade, Hospital Director at Fort Logan Mental Health, explained how medical records are use in the coordination of care and for monitoring medications being administered to patients. Dr. LaGrenade further clarified coordination of care efforts in response to additional questions from Senator Carroll.

In response to a question from Senator Renfroe, Dr. LaGrenade explained that there is a synthetic component found in medical marijuana that has been used to stabilize patients, but medical marijuana has not been used.

**10:51 a.m.** Recommendations 4 and 5 were reviewed, discussed, and agreed to by the Department. In response to a question from Representative Kerr, Mr. Fugate agreed to provide to the Committee information on the number of episodes of care that factored into the Institutes' average medication error rates in CY2010.

Recommendations 6 and 7 were reviewed, discussed, and agreed to by the Department. In response to a comment from Representative Kerr, Ms. Gay expressed interest in receiving assistance from industry specialists to review options for electronic health record systems.

**11:15 a.m.** At the request of Acting State Auditor Ray, Mr. Cole commented on the billing procedure used for the patient population not covered by Medicaid. In response to a question from Senator Tochtrop, Ms. Gay explained that there is not currently an initiative to modify legislation to address this issue.

Recommendation 8 was reviewed, discussed, and agreed to by the Department. In response to a question from Representative Gardner, Mr. Cole stated that the cost to implement a new pharmacy system would start at approximately \$250,000 upward. He further stated that they have not priced a new electronic record system but estimates the cost would start at a minimum of one-million dollars.

**11:24 a.m.** Committee recessed.

**1:05 p.m.** Committee came back to order.

**PINNACOL ASSURANCE  
COMMENTS ON INTERNAL CONTROLS AND  
PROCEDURES AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2010**

Pinnacol Assurance

Blair Richardson, Board Chairman  
Ken Ross, President and CEO  
Jeff Tetrick, Chief Financial Officer

Office of the State Auditor

Dianne E. Ray, Acting State Auditor  
Kerri Hunter, Deputy State Auditor  
Crystal Dorsey, Managing Legislative Auditor

Deloitte & Touche, LLP

Matt Darden, Partner  
Diane Craanen, Senior Manager

A motion was made by Representative Kerr and seconded by Representative Gardner to release the report on Pinnacol Assurance, Comments on Internal Controls and Procedures. Motion passed unanimously.

Following introductions and opening comments, Ken Ross stated that Pinnacol Assurance (Pinnacol) agrees with Recommendation 1 and that it will be fully implemented by June 30, 2011.

Recommendation 2 was reviewed, discussed, and agreed to by Pinnacol. In response to a question from Representative Gardner, Jeff Tetrick stated that significant progress has already been made and Recommendation 2 should be fully implemented by December 2011.

In response to a question from Senator Carroll, Mr. Tetrick stated that the variance between amounts in the Workers Compensation Information System (WCIS) and the data uploaded through the Financial Transaction Reporting System (FTRS) to the general ledger first appeared in the mid-1990's and should be corrected by the end of 2011.

**1:18 p.m.** Representative Miklosi arrived at the meeting.

Recommendation 3 was reviewed, discussed, and agreed to by Pinnacol. Mr. Tetrick stated that this Recommendation was fully implemented in March 2011.

Recommendation 4 was reviewed and discussed. Pinnacol disagreed with this recommendation. Mr. Tetrick stated that system tracking of written premium is cost-prohibitive and that Pinnacol does not plan to develop a process to systematically track written premium.

In response to a question from Senator Carroll, Matt Darden stated that the system being used by Pinnacol to track written premium, called the Western Method, is a viable system but that system tracking of written premium would be ideal.

Recommendation 5 was reviewed, discussed, and agreed to by Pinnacol. Mr. Tetrick stated that this Recommendation will be fully implemented in June 2011.

**1:28 p.m.** Recommendation 6 was reviewed, discussed, and agreed to by Pinnacol. In response to a question from Senator Renfroe, Mr. Tetrick stated that the current procedure being used to route and document manual check requests to pay claims has not resulted in delay of payment to the claimant. Mr. Ross explained that it is not uncommon for an injured worker to actually pick up the manual check from Pinnacol.

State Auditor Ray stated that the basis for making Recommendation 6 is to ensure a process is in put into place by Pinnacol that will maximize fraud prevention. The current lack of formal procedures surrounding manual check requests increases the chance of fraud occurring since the requestor of the check could also cash it.

Mr. Tetrick stated that Pinnacol will review the documentation requirements associated with the check routing procedures and the record retention policy regarding these procedures by December 2011.

Recommendations 7 and 8 were reviewed, discussed, and agreed to by Pinnacol. In response to a question from Senator Carroll, Mr. Ross stated that Pinnacol is continuing to investigate the possibility of hiring a certified actuary on staff.

In response to a question from Representative Kerr, Mr. Ross stated that the decrease in construction related risks and claims has resulted in a 46% decrease in premium rates over the last 6 years. He further stated that premiums are set by the order of the Commissioner of the Division of Insurance.

In response to a question from Representative Kerr, Mr. Darden explained that there are a variety of actuarial analysis techniques used to determine the amount of reserves needed to protect policy holders.

There was a discussion regarding the issues which resulted in the delay of reporting the financial statements in a timely manner. Mr. Ross further stated Pinnacol's position on the balances maintained in the surplus and reserve accounts.

**1:45 p.m.** Senator King arrived at the meeting.

## **GENERAL BUSINESS**

### **Status Report with Agency Representation**

Deputy State Auditor Monica Bowers provided a brief overview of the Pinnacol Assurance performance audit from June 2010. Mr. Tetrick and Mr. Ross stated that all Recommendations from the audit have been implemented.

**1:59 p.m.** The Committee recessed.

**2:02 p.m.** The committee came back to order.

### **Minutes**

A motion was made by Representative Miklosi and seconded by Senator King to approve the minutes of March 24, 2011. Motion passed unanimously.

A motion was made by Representative Gardner and seconded by Senator King to approve the minutes of March 29, 2011. Motion passed unanimously.

A motion was made by Senator King and seconded by Representative Gardner to approve the minutes of April 14, 2011. Motion passed unanimously.

### **Audit Requests**

Acting State Auditor Ray reviewed the status of a request from Representative Edward Vigil regarding the Aquaculture Program administered through the Department of Corrections. This audit request will be further discussed with the Committee at the July 2011 hearing.

### **Other Business**

Acting State Auditor Ray reviewed the annual report provided to the Committee by Energy Outreach Colorado in accordance with C.R.S. 40-8.7-110 and C.R.S. 39-29-109 (1.9)(g)(IV). This report provides a summary of its efforts of addressing the Low-Income Energy Assistance Act.

Acting State Auditor Ray provided a brief summary of the legislation carried by the Committee in the 2011 legislative session.

Acting State Auditor Ray and Deputy State Auditor Jonathan Trull recognized staff members who participated on the Governor's Office of Information Technology, Office of Cyber Security, performance audit that won the National State Auditors Association Excellence in Accountability Award in the large performance audit category.

**2:13 p.m.** The Committee recessed.

**2:16 p.m.** The committee came back to order.

### **Status Report with Agency Representation**

Following introductions and a brief overview of the Office of Cyber Security performance audit presented to the Committee in December 2010, Kristin Russell and Travis Schack reviewed the implementation status and progress made by the Governor's Office of Information Technology (OIT) in implementing recommendations in the audit.

**2:32 p.m.** In response to a question from Senator King, Mr. Schack clarified industry best practice is to perform monthly vulnerability scans within each agency environment.

In response to a question from Representative Gardner, Ms. Russell explained that all services across the state will be assessed in fiscal year 2012.

**2:45 p.m.** A motion was made by Representative Kerr and seconded by Representative Gardner that the Legislative Audit Committee go into executive session in accordance with Section 24-6-402 (3) (a) (IV), C.R.S., to discuss specialized details of security arrangements or investigations relating to the penetration/computer security audit where disclosure of the discussions might reveal information that could be used for the purpose of committing a violation of law. Motion passed unanimously.

The Committee went into executive session.

**3:02 p.m.** The Committee came out of executive session and went into recess.

**June 7, 2011**

**8:56 a.m.** **IMPLEMENTATION OF THE MEDICAID  
PEDIATRIC HOSPICE WAIVER,  
DEPARTMENT OF HEALTH CARE POLICY  
AND FINANCING, PERFORMANCE AUDIT,  
MAY 2011**

Department of Health Care Policy and Financing  
Laurel Karabatsos, Acting Medicaid Director  
Jenny Nickerson, Long Term Care Division Director  
Sean-Casey King, Fee-for-Service Rates Section Manager

Office of the State Auditor  
Dianne E. Ray, Acting State Auditor  
Monica Bowers, Deputy State Auditor  
Vickie Heller, Legislative Auditor

A motion was made by Representative Kerr and seconded by Senator Carroll to release the Implementation of the Medicaid Pediatric Hospice Waiver performance audit. Motion passed unanimously.

**9:15 a.m.** Representative Miklosi arrived at the meeting.

**9:21 a.m.** Following introductions and opening comments, Recommendation 1 was reviewed, discussed, and agreed to by the Department of Health Care Policy and Financing (Department).

In response to a question from Representative Kerr, Vickie Heller verified that the Recommendations made in the audit address the delayed and significant portions of the Pediatric Hospice Waiver Program (the Waiver program) not yet in place as mandated by the General Assembly in 2004.

In response to questions from Senator Carroll and Senator Tochtrop, Laurel Karabatsos and Jenny Nickerson reviewed the process used during the development of the Waiver program.

In response to a question from Senator Renfroe, Ms. Karabatsos agreed to try to collect data on the number of children who might qualify for the Waiver program but are not utilizing the services provided.

**9:36 a.m.** In response to questions from Senator Tochtrop and Senator King, Ms. Karabatsos reviewed the Department's outreach efforts and agreed to further investigate additional outreach opportunities.

In response to a comment from Senator King, Ms. Karabatsos stated that there is a need for additional training with the service providers.

**10:00 a.m.** Recommendations 2, 3, and 4 were reviewed, discussed, and agreed to by the Department. In response to a question from Senator Carroll, Ms. Karabatsos addressed the issue of the rule requiring children enrolled in the Waiver program to receive at least one waiver service every month to maintain enrollment in the program.

Recommendation 5 was reviewed, discussed, and agreed to by the Department.

Representative Kerr requested the Department provide a status update to the Committee on the Waiver program in approximately six months.

### **Status Report with Agency Representation**

**10:33 a.m.** Following opening remarks, Antoinette Taranto, Eligibility Division Director for the Department of Health Care Policy and Financing (Department), reviewed the submission of a progress update on the Department's actions regarding recommendations made in the State of Colorado, Single Statewide Audit for the state fiscal year ending June 30, 2010. The recommendations were specific to Medicaid and the Children's Basic Health Plan (CBHP) eligibility and enrollment systems and processes.

In a response to a question from Senator Tochtrop, Ms. Taranto stated that the Department was awarded a grant from the Colorado Health Foundation to use private sector business process improvement tools in 15 local county departments of human/social services for the purpose of recommending and implementing changes to the current county business processes focused on the timely processing of applications. Statistical results were provided on Mesa County's successes. Senator Tochtrop requested the results from the other 14 county participants.

In response to a question from Representative Miklosi, Ms. Taranto stated that the grant awarded from the Colorado Health Foundation was approximately \$300,000, and that the funding was not federally matched.

**10:46 a.m.** In response to a question from Senator Tochtrop, Ms. Taranto stated that the Department is investigating the necessity for drafting legislation to allow modification of the state income tax form in order to collect and share information with Medicaid.

In response to a question from Senator Carroll, Ms. Taranto stated that grant funding has provided support needed to implement initiatives for training and process improvement programs but that the continuation of these programs is not solely dependent on grant funding.





LOIS TOCHTROP, CHAIR  
Senator  
CINDY ACREE, VICE-CHAIR  
Representative  
DEB GARDNER  
Representative  
LUCIA GUZMAN  
Senator

*State of Colorado*  
LEGISLATIVE AUDIT COMMITTEE  
Legislative Services Building - Second Floor  
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Denver, Colorado 80203

JIM KERR  
Representative  
STEVE KING  
Senator  
JOE MIKLOSI  
Representative  
SCOTT RENFROE  
Senator

## LEGISLATIVE AUDIT COMMITTEE

July 11 & 12, 2011

### MINUTES

A meeting of the Legislative Audit Committee convened at 10:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order. The roll was called with the following result:

**PRESENT:** Chair Tochtrop, Representative Acree, Representative Gardner, Senator Guzman, Representative Kerr, Representative Miklosi, Senator Renfroe

**ABSENT:** Senator King

The following staff members from the Office of the State Auditor (OSA) and other state agencies were in attendance on July 11, 2011:

**OSA STAFF PRESENT:** Dianne Ray, State Auditor; Monica Bowers, Kerri Hunter, Jonathan Trull, Deputy State Auditors; Sarah Aurich, Eric Johnson

**ALSO PRESENT:** Bob Lackner, Legislative Legal Services; Kristin Russell, Todd Olson, Jim Lynn, Governor's Office of Information Technology; Jennifer Okes, David McDermott, Bob Jaros, Department of Personnel and Administration; Maryann Motza, Meredith Williams, Greg Smith, Jennifer Paquette, Colorado Public Employees' Retirement Association; Thomas Cavanaugh, Ed Koebel, Eric Gary, Cavanaugh Macdonald Consulting; David Eberly, Rod Filliben, KPMG LLP; John Bartholomew, Jennifer St. Peter, Department of Health Care Policy and Financing

**July 11, 2011**

**General Business with Agency Representation**

**10:00 a.m.** State Auditor Ray provided a brief summary of the request relating to the State Controller's proposed exemption of a portion of the Department of Health Care Policy and Financing (HCPF) from recovery audits contracted by the Office of the State Controller (OSC).

Based on current statutory language, any exemption granted is binding for a period of three years. At the hearing on June 7, the Committee expressed concern about there not being an expiration date for the exemption. Bob Lackner, from the Office of Legislative Legal Services, suggested that the Committee consider sponsoring a bill to change the language requiring approval of any exemption each year a recovery audit is conducted.

On June 20, 2011, the Joint Budget Committee (JBC) unanimously approved the State Controller's proposed exemption with a motion "that the JBC vote in support of the recommendation that certain parts of HCPF are exempt based on the statement and the policy guideline as outlined by the Controller in terms of maximizing the audits and ensuring we are not overlapping with other audits that are occurring at the federal level."

**10:07 a.m.** Senator King arrived at the meeting.

A motion was made by Representative Gardner and seconded by Senator Guzman that the Committee follow the recommendation of the JBC to exempt the \$ 3 billion that is subject to federal recovery audit. Motion passed unanimously.

**10:10 a.m.**

**EVALUATION OF THE SUSTAINABILITY OF  
THE COLORADO FINANCIAL REPORTING  
SYSTEM, GOVERNOR'S OFFICE OF INFORMATION  
TECHNOLOGY AND DEPARTMENT OF  
PERSONNEL AND ADMINISTRATION,  
INFORMATION TECHNOLOGY, JUNE 2011**

Governor's Office of Information Technology

Kristin Russell, Secretary of Technology and

Chief Information Officer

Todd Olson, Chief Financial Officer

Jim Lynn, Agency and Enterprise Services Director

Department of Personnel and Administration

Jennifer Okes, Deputy Executive Director

David McDermott, State Controller

Office of the State Auditor

Dianne E. Ray, State Auditor

Jonathan Trull, Deputy State Auditor

A motion was made by Representative Gardner and seconded by Representative Kerr to release the Evaluation of the Sustainability of the Colorado Financial Reporting System information technology audit. Motion passed unanimously.

**10:11 a.m.** Committee recessed.

**10:18 a.m.** Committee came back to order.

Following introductions and opening remarks, Jonathan Trull reviewed the purpose and scope of the evaluation of the Colorado Financial Reporting System (COFRS).

In response to a question from Representative Acree, Mr. Trull explained that *COBOL* is an antiquated programming language used in COFRS, and that it is becoming increasingly difficult to employ adequate staff with sufficient technical knowledge to maintain COFRS.

Following a question from Representative Acree, there was a discussion regarding the connection between COFRS and the Colorado Benefits Management System (CBMS).

**10:45 a.m.** In response to questions from Representative Kerr, Kristin Russell stated that even though replacing COFRS would require significant funding with costs likely exceeding \$20 million, a failure in the system would far surpass replacement costs. Todd Olsen explained that the replacement of COFRS would be accomplished in a phased approach with an emphasis on reducing financial impact to the State.

In response to a question from Senator Guzman, Ms. Russell reemphasized that the upgrade of COFRS would be accomplished in a phased approach with a built-in replacement strategy.

In response to a question from Senator Renfroe, Ms. Russell stated that the Governor's Office of Information Technology (OIT) is responsible for the overall scope of the project but that the business owner is the Department of Personnel and Administration (DPA). However, in general, it is a collaborative effort with all state agencies and all departments will be affected.

**11:00 a.m.** Mr. Trull reviewed the immediate risks to the short-term sustainability of COFRS. Recommendation 1 was discussed and agreed to by OIT and DPA.

In response to a question from Chair Tochtrop, Ms. Russell and Jim Lynn reviewed the succession and support plan for filling vacant staff positions.

In response to a suggestion from Representative Kerr to consider outsourcing the State's financial system to a bank, David McDermott explained that there are specific governmental accounting standards that must be followed by the State which cannot be addressed in the private sector.

**11:30 a.m.** Mr. Trull reviewed the specific COFRS limitations that make it important for the State to immediately undertake a modernization initiative. Recommendation 2 was discussed and agreed to by OIT and DPA. Mr. McDermott stated that DPA will, in cooperation with OIT, continue working with the general assembly to obtain funding for modernization of COFRS.

**11:34 a.m.** Committee recessed.

**11:35 a.m.** Committee came back to order.

### **Minutes**

A motion was made by Representative Gardner and seconded by Senator King to approve the minutes of June 6 & 7, 2011. Motion passed unanimously.

### **Audit Requests**

In response to preliminary research by the State Auditor into a request from Senator King and Senator Renfroe for an audit of the Public Utilities Commission, the Committee unanimously approved a motion by Senator King and seconded by Senator Renfroe allowing the State Auditor to conduct an audit of the Public Utilities Commission.

In response to a request from Representative Rhonda Fields for an audit of the enforcement of restitution to victims after a court order, the Committee unanimously approved a motion by Representative Kerr and seconded by Representative Acree allowing the State Auditor to conduct initial research to determine if an audit is warranted. Representative Kerr requested that funding mechanisms that are already allocated to victim restitution be considered in the audit scope.

State Auditor Ray provided an update regarding a request from Representative Larry Liston for an audit of the Colorado Division of Real Estate under the Colorado Department of Regulatory Agencies. Following a meeting with Representative Liston with the Office of the State Auditor, Representative Liston has requested more time to collect data from his constituents. The audit request will be tabled for no longer than six months and readdressed when more information is available.

**11:41 a.m.** Committee recessed.

**1:29 p.m.** Committee came back to order.

**COLORADO PUBLIC EMPLOYEES'  
RETIREMENT ASSOCIATION  
FINANCIAL AUDIT  
YEAR ENDED DECEMBER 31, 2010**

Colorado Public Employees' Retirement Association (PERA)

Maryann Motza, Board Vice Chair

Meredith Williams, Executive Director

Greg Smith, Chief Operating Officer and General Counsel

Jennifer Paquette, Chief Investment Officer

Cavanaugh Macdonald Consulting, LLC

Thomas Cavanaugh, Chief Executive Officer

Ed Koebel, Principal and Consulting Actuary

Eric Gary, Senior Actuary

Office of the State Auditor

Dianne E. Ray, State Auditor

Kerri Hunter, Deputy State Auditor

KPMG LLP

David Eberly, Partner

Rod Filliben, Partner

A motion was made by Representative Gardner and seconded by Senator King to release the PERA financial audit. Motion passed unanimously.

Following introductions and opening comments, David Eberly reviewed PERA's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended December 31, 2010. Mr. Eberly reported that the independent auditors' report resulted in an unqualified opinion.

In response to a question from Representative Kerr, Mr. Eberly clarified that only portions of the information obtained in the CAFR are audited.

**1:47 p.m.** Mr. Eberly discussed the audit report related to PERA that KPMG prepared. No significant deficiencies or material weaknesses in internal control were noted during the 2010 audit. Mr. Eberly reviewed the disposition of prior year audit findings and recommendations.

**2:06 p.m.** Meredith Williams provided a brief summary of PERA's current financial position.

Greg Smith discussed the effects on PERA resulting from Senate Bill 10-001. In response to a question from Chair Tochtrop, Mr. Smith explained PERA's outreach to participants regarding the new PERAPlus Program.

**2:35 p.m.** Following introductions, Thomas Cavanaugh discussed PERA's Actuarial Valuation Results as of December 31, 2010.

In response to a question from Representative Kerr, Mr. Cavanaugh discussed the impact that the State's hiring freeze has on the actuarial assumptions.

In a response to a question from Senator Renfroe, Mr. Cavanaugh explained the necessity of Senate Bill 10-001.

**3:23 p.m.** Committee recessed.

**3:27 p.m.** Committee came back to order.

**OFFICE OF THE STATE AUDITOR'S  
VALIDATION OF REALIZED COST SAVINGS  
SUBMITTED BY THE DEPARTMENT OF  
HEALTH CARE POLICY AND FINANCING**

Mr. Trull provided a brief overview of House Bill 10-1264 which established an employee incentive program for the purpose of encouraging "the involvement of state employees in the development of innovative ideas that will increase the productivity and service level of state government while decreasing the costs of state government." Mr. Trull explained the responsibility of the State Auditor with regard to this program.

Eric Johnson reviewed the application from the Department of Health Care Policy and Financing (HCPF) for an idea to realize cost savings through the federal Children's Health Insurance Program Reauthorization Act of 2009. Specifically, staff proposed collecting data that would allow HCPF to qualify for a one-time federal bonus payment of \$13.7 million for Federal Fiscal Year 2010 that could be used to offset expenditures normally charged to the State's General Fund.

The Office of the State Auditor was able to verify the projected savings for the idea.

**3:42 p.m. GENERAL BUSINESS**

**Status Report with Agency Representation**

Sarah Aurich provided a brief overview of the progress made by the Department of Personnel and Administration (Department) in implementing recommendations from the Office of Risk Management performance evaluation presented to the Committee in September 2010. Out of a total of 19 recommendations (each subpart counted separately), 11 have been implemented, 1 has been partially implemented, and 7 have not been implemented. Ms. Aurich stated that the Department is on schedule for completing the remaining recommendations as originally reported. There were no questions from the Committee.

Ms. Aurich provided a brief overview of the progress made by the Governor's Energy Office (Department) in implementing recommendations from the Weatherization Assistance Program performance audit presented to the Committee in October 2010. Out of a total of 27 recommendations (each subpart counted separately), 20 have been implemented, 4 have been partially implemented, and 3 have not been implemented. Ms. Aurich stated that the Department is on schedule for completing the remaining recommendations as originally reported. There were no questions from the Committee.

**3:46 p.m.** Committee recessed.

**July 12, 2011**

The Legislative Audit Committee came back to order at 8:58 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order. The roll was called with the following result:

**PRESENT:** Chair Tochtrop, Representative Acree, Representative Gardner, Senator Guzman, Representative Kerr, Senator King, Senator Renfroe

**ABSENT:** Representative Miklosi

The following staff members from the Office of the State Auditor (OSA) and other state agencies were in attendance on July 12, 2011:

**OSA STAFF PRESENT:** Dianne Ray, State Auditor; Jonathan Trull, Deputy State Auditor; Sarah Aurich, Eric Johnson, Greg Fugate

**ALSO PRESENT:** Walker Stapleton, Brett Johnson, Helen DiBartolomeo, Charles Scheibe, Department of Treasury; Donald Eibsen, Leon Travis, Buck Global Investment Advisors; Roxanne Huber, Rick Kiger, Michael Dixon, Department of Revenue; Gary Coffman, Colorado Air Pollution Control Division; Bob Lackner, Legislative Legal Services

**9:03 a.m.** Representative Miklosi arrived at the meeting.

**REPORT TO THE COLORADO STATE AUDITOR** statutory  
**DEPARTMENT OF TREASURY**  
**TREASURY INVESTMENT PROGRAM**  
**PERFORMANCE EVALUATION, JUNE 2011**

Department of Treasury

Walker Stapleton, Colorado Treasurer  
Brett Johnson, Colorado Deputy Treasurer  
Helen DiBartolomeo, Chief Investment Officer

Office of the State Auditor

Dianne E. Ray, State Auditor  
Jonathan Trull, Deputy State Auditor  
Sarah Aurich, Managing Legislative Auditor

Buck Global Investment Advisors

Donald Eibsen, Principal and Investment Consultant  
Leon Travis, Investment Consultant

A motion was made by Representative Acree and seconded by Representative Gardner to release the Treasury Investment Program performance evaluation. Motion passed unanimously.

Following introductions and opening comments, Leon Travis provided a brief overview of the purpose and scope of the evaluation, along with the summary of findings.

**9:21 a.m.** Recommendation 1 was reviewed, discussed and partially agreed to by the Department of Treasury (Department). In response to a question from Representative Acree, Walker Stapleton explained the current procedure followed for making investments when there is a deviation in the investment portfolio.

In response to a question from Senator Renfroe, Mr. Travis stated that having \$1.5 billion in the cash pool is not overly conservative considering the current market condition. Helen DiBartolomeo further explained since 2003 when the State's financial position deteriorated the trend has been to hold three months of the State's financial liability, including payroll, in reserves. Corporations are not issuing debt that can be purchased and treasuries are overpriced. Ms. DiBartolomeo stated that the Department is diligent in seeking investment opportunities.

Recommendation 2 was reviewed, discussed and agreed to by the Department. Mr. Stapleton stated that he plans to continue to work internally to determine the extent of statutory changes necessary to address the requirement that Treasury funds be invested only in U.S. securities. He further stated that the Treasurer's Office plans to work with the members of the General Assembly to make any statutory changes deemed necessary.

In response to a question from Representative Kerr, Mr. Travis agreed to provide the Committee examples of security investments with a credit rating of AA-.

**9:40 a.m.** In response to a question from Senator King, Mr. Stapleton explained that the Department's investment advisors would conduct detailed analysis before recommending investments into foreign securities or other markets such as precious metals. Mr. Stapleton further explained that statutory change would be required before any consideration can be given to diversifying the State's investment portfolio.

State Auditor Ray clarified that generally, although non-U.S. fixed income securities may be based in a foreign currency, the foreign investments are in U.S. dollars so there is no risk of loss from currency changes.

In response to a question from Representative Acree, Mr. Stapleton agreed to provide the Committee the mix of investments and securities currently allowed by statute.

**9:50 a.m.** Recommendations 3 and 4 were reviewed, discussed and agreed to by the Department. In response to a question from Senator Guzman, Mr. Stapleton stated that even though the Advisory Committee is not a fiduciary to the Treasury Investment Program, it does provide a valuable exchange of ideas and recommendations to the Department.

In response to a question from Representative Miklosi, Mr. Stapleton stated that Standard &

Poor's, Moody's, and Fitch Ratings are reliable for obtaining credit ratings, but that the Department will continue to look at independent research when possible.

In response to a question from Representative Acree, Helen DiBartolomeo explained why the prior year recommendation that the Department of the Treasury consider broadening the investment policy of the Public School Permanent Fund has not been implemented.

**10:03 a.m.** Committee recessed.

**10:08 a.m.** Committee came back to order.

### **Status Report with Agency Representation**

Eric Johnson provided a brief overview of the progress made by the Department of Revenue and the Department of Public Health and Environment in implementing recommendations from the Vehicle Emissions Program performance audit presented to the Committee in September 2010. Since the majority of recommendations made in the audit were directed to the Department of Revenue (Department), representatives from the Department were in attendance to provide an update.

Following introductions, Rick Kiger, Director, Vehicle Emissions Program, reviewed the current implementation status for recommendations made to the Department. Out of a total of 15 recommendations (each subpart counted separately), 7 have been implemented and 8 have been partially implemented.

**10:25 a.m.** Mr. Johnson stated that the State Auditor will be performing a statutorily required performance audit of the Automobile Inspection and Readjustment (AIR) Program in 2012. Representative Acree requested that a copy of the last report be provided to the Committee.

In response to a question from Representative Kerr, Gary Coffman explained the different methods that can be used for air quality testing. Mr. Coffman agreed to provide the Committee a summary of the monthly reports currently submitted to Envirotest, which includes results of identified violations performed by inspectors in the overt and covert performance audits and consumer complaints. The current fine structure is part of the contracts.

Roxy Huber stated that the Department will continue seeking legislation to implement the remaining findings of the audit that require budget consideration.

### **Status Report without Agency Representation**

**10:33 a.m.** Mr. Johnson provided a brief overview of the progress made by CollegeInvest in implementing recommendations from the College Savings Plans performance evaluation presented to the Committee in October 2010. Out of a total of 16 recommendations (each subpart counted separately), 11 have been implemented, 3 have been partially implemented, and 2 have not been implemented.

In response to a question from Representative Gardner, State Auditor Ray stated that the schedule of reserves maintained by CollegeInvest can be audited in the upcoming annual financial audit.

In response to a question from Representative Miklosi, Mr. Johnson stated that this audit did not focus on scholarships.

In response to a question from Representative Acree, Mr. Johnson explained that under statute CollegeInvest was charged with overseeing the program and hiring an investment contractor to manage the program. State Auditor Ray stated that the 529 Program is self-directed and that CollegeInvest has the authority to direct the State Treasurer on how they want to invest the funds.

**10:41 a.m. General Business**

Mr. Trull provided an overview of the changes made to the state budget process during the 2010 legislation session specifically related to HB 10-1119 which established a performance-based budgeting program through the State Measurements for Accountable, Responsive, and Transparent (SMART) Government Act.

The SMART Government Act sets forth new requirements for budgeting by state departments and implements a new role in state budgeting for legislative committees of reference and the Office of the State Auditor. Mr. Trull reviewed the issue brief provided by Legislative Council and explained to the Committee the requirements to the State Auditor and the plans for complying with the Act.

In response to a question from Chair Tochtrop, Mr. Trull explained that the Governor's Office of Information Technology was required to conduct an analysis of an e-budget solution as part of the SMART Government Act. The analysis concluded that the Colorado Financial Reporting System does not meet the minimum requirements needed to execute the budgeting process. There was discussion regarding possible solutions to lessen the burden on staff and resources involved in implementing this law.

In response to a question from Representative Gardner, State Auditor Ray stated that a summary report of recommendations of which state departments should be audited will be provided to the Committee. State Auditor Ray explained the challenge of auditing all state departments in a period of nine years. Representative Kerr suggested contacting the bill sponsors to obtain clarification of the intent of the law.

**11:03 a.m. Legislation**

Greg Fugate provided a brief overview of SB 11-017 which resulted from a performance audit of the Department of Agriculture's Anhydrous Ammonia Program. The bill was postponed indefinitely. The Department of Agriculture will provide a status report to the Committee in August 2011, at which time further discussion can be held regarding potential legislation for the 2012 session.

Bob Lackner provided an overview of the drafting process for Legislative Audit Committee legislation during the 2012 Legislative Session.

A motion was made by Representative Gardner and seconded by Representative Acree to introduce Committee bills pursuant to Joint Rule 24(b)(1)(D), instead of following the Legislative Council's process for interim committee bills. Motion passed unanimously.





LOIS TOCHTROP, CHAIR  
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*State of Colorado*  
LEGISLATIVE AUDIT COMMITTEE  
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Denver, Colorado 80203

JIM KERR  
Representative  
STEVE KING  
Senator  
JOE MIKLOSI  
Representative  
SCOTT RENFROE  
Senator

## LEGISLATIVE AUDIT COMMITTEE

**August 22 & 23, 2011**

### MINUTES

A meeting of the Legislative Audit Committee convened at 10:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Tochtrop, Chair, Representative Acree, Vice-Chair, Representative D. Gardner, Senator Guzman, Senator King, Representative Miklosi, Senator Renfroe, Representative Summers

The following staff members from the Office of the State Auditor (OSA) and other agencies were in attendance on August 22, 2011:

**OSA STAFF PRESENT:** Dianne Ray, State Auditor; Monica Bowers, Kerri Hunter, Jonathan Trull, Deputy State Auditors; Crystal Dorsey, Gina Faulkner, Reed Larsen, Michelle Colin, Greg Fugate, Mindy Gates, Eric Johnson

**ALSO PRESENT:** Jill Hawley, Kirk Weber, Department of Education; Christine Barela, Hoehne School R-3; Blair Richardson, Jeff Tetrick, Pinnacol Assurance; John Cevette, Senate Majority Chief of Staff; Matt Darden, Diane Craanen, Deloitte & Touche LLP; Kathy Nesbitt, Jennifer Okes, Department of Personnel and Administration; Jim Miller, Steve Bornmann, Department of Agriculture; Ronald C. Sloan, Karl Wilmes, Colorado Bureau of Investigation; Michael Munoz, Department of Public Safety

**August 22, 2011**

**FISCAL HEALTH ANALYSIS  
OF COLORADO SCHOOL DISTRICTS  
AUGUST 2011**

Department of Education

Jill Hawley, Chief of Staff and Strategy

Kirk Weber, Supervisor, Public School Finance

Hoehne School R-3

Christine Barela, Superintendent

Office of the State Auditor

Dianne E. Ray, State Auditor

Kerri Hunter, Deputy State Auditor

Crystal Dorsey, Managing Legislative Auditor

A motion was made by Representative Acree and seconded by Representative Miklosi to release the Fiscal Health Analysis of Colorado School Districts report. Motion passed unanimously.

Following introductions and opening remarks, Crystal Dorsey reviewed the report.

**10:22 a.m.** Christine Barela provided a summary of the financial relief request made to the Department of Education (Department) by Hoehne School R-3. Kirk Weber indicated that the Department has not made a final decision to fund the request and will be reviewing current financial information prior to the release of any contingency reserve funds in accordance with Section 22-54-117, C.R.S.

In response to a question from Senator Renfro, Ms. Barela stated that Hoehne School R-3 has placed a spending cap of 80% on the district's budget, and subsequently addressed concerns the Committee expressed regarding the cap.

In response to a question from Representative Acree, Mr. Weber stated that per student state funding has been cut by 13%.

**10:37 a.m.** State Auditor Ray requested a summary from the Department on how the Fiscal Health Analysis report is utilized to monitor the financial position of the school districts. Mr. Weber and Jill Hawley expressed appreciation for the report and stated that it is used as a tool to provide technical assistance to school districts regarding complex funding formulas and reporting requirements and to monitor compliance with budgeting, accounting, and reporting requirements related to school district financial accreditation.

**10:44 a.m.** Committee recessed.

**10:48 a.m.** Committee came back to order.

**OFFICE OF THE STATE AUDITOR  
RECOMMENDATION DATABASE**

Office of the State Auditor  
Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Jonathan Trull, Deputy State Auditor  
Reed Larsen, Legislative Auditor

Jonathan Trull provided a brief overview of the State Auditor's vision for creating a database to capture audit recommendation information that can be used as a part of an initiative to hold state agencies accountable for audit recommendations they have agreed to implement and to provide better information to policy makers and the general public in a timely manner.

**10:52 a.m.** Reed Larsen reviewed the process used to create, populate, and maintain the recommendation database, and summarized various reports detailing how agencies have or have not implemented recommendations since January 2008.

In response to questions from Representative Acree, Mr. Trull stated that there is not a statutory obligation for Colorado state agencies to comply with audit recommendations made by the State Auditor's office.

**11:13 a.m.** State Auditor Ray stated that most states do not have a formalized recommendation tracking process which suggests that there is not a statutory requirement to follow-up on audit recommendations in other states.

Chair Tochtrop commended the State Auditor's office on the quality and importance of the information provided by the database. Chair Tochtrop suggested that summary reports be provided to the chair and vice-chair of each Senate and House Committee of Reference.

In response to a question from Representative Miklosi, Mr. Larsen explained that summary reports will be provided to state agency executive directors on a regular basis. Mr. Trull stated that part of the goal of the State Auditor is to make this a searchable database on the State Auditor's website.

Mr. Trull stated that the Office of the State Auditor will continue to develop and refine policies and procedures to capture and report audit recommendations. Mr. Trull reviewed specific initiatives already identified.

Committee members made several suggestions on how to proceed with disseminating information to the various general assembly committees.

**11:47 a.m.** Chair Tochtrop requested the State Auditor to prepare a plan on how to proceed with the database information, to be discussed at the September 2011 Legislative Audit Committee hearing. Committee recessed.

**1:27 p.m.** Committee came back to order.

Representative Miklosi was excused from the hearing for the remainder of the day.

**PINNACOL ASSURANCE  
STATUTORY FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009  
FINANCIAL AUDIT**

Pinnacol Assurance  
Blair Richardson, Board Chair  
Jeff Tetrick, Chief Financial Officer

Office of the State Auditor  
Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Crystal Dorsey, Managing Legislative Auditor

Deloitte & Touche LLP  
Matt Darden, Partner  
Diane Craanen, Senior Manager

This report was released at the June 6, 2011, Committee hearing.

Following introductions and opening remarks, Matt Darden reviewed the purpose and scope of the audit.

**1:40 p.m.** In response to questions from Committee members, the discount rate of liabilities for unpaid losses, the discount rate used for estimation of internal structured settlements, and the mortality table for estimation of internal structured settlements were discussed.

Mr. Darden reviewed the independent auditors' report of Pinnacol Assurance as of December 31, 2010 and 2009.

In response to questions from the Committee, Blair Richardson and Jeff Tetrick discussed in further detail the decision to change the discount rate.

Diane Craanen reviewed the financial statements of Pinnacol Assurance.

**2:16 p.m.** Senator Renfroe arrived at the hearing.

In response to questions from Chair Tochtrop, Mr. Tetrick discussed Pinnacol's status on obtaining an actuary and hiring an on-staff medical director.

**2:30 p.m.** Committee recessed.

**2:35 p.m.** Committee came back to order.

## **GENERAL BUSINESS**

### **Minutes**

A motion was made by Representative Gardner and seconded by Representative Acree to approve the minutes of July 11 & 12, 2011. Motion passed unanimously.

### **Status Report with Agency Representation**

Michelle Colin provided a brief overview of the progress made by the Department of Personnel and Administration (Department) in implementing recommendations from the Office of Employee Benefits Program performance audit presented to the Committee in November 2010. Out of a total of 19 recommendations (each subpart counted separately), 13 have been implemented and 6 have been partially implemented.

Jennifer Okes provided a brief overview of the recommendations and the steps the Department has taken to implement these recommendations.

In response to a question from Representative Summers, Ms. Okes stated that the cost to contract with HMS Employer Solutions to conduct the independent dependent eligibility audit was just over \$200,000.

**2:48 p.m.** Mindy Gates provided a brief overview of the progress made by the Department of Agriculture (Department) in implementing recommendations from the Anhydrous Ammonia Program performance audit presented to the Committee in August 2010. Out of a total of 18 recommendations (each subpart counted separately), 15 have been implemented, 2 have been partially implemented, and 1 has not been implemented.

In response to a question from Chair Tochtrop, Jim Miller discussed the system developed to implement an internal numbering system to assign anhydrous ammonia tanks a unique statewide tank identification number.

Mr. Miller discussed the status of Recommendation 5 which suggested the Department develop and implement incident reporting requirements for anhydrous ammonia's use as an agricultural fertilizer. Mr. Miller stated the Department was instructed by the Senate Agriculture and Natural Resources Committee to work with stakeholders to develop reporting requirements. The stakeholders recommended that the Department enter into a Memorandum of Understanding with the Colorado Department of Public Health and Environment to receive information regarding the anhydrous ammonia releases reported to them.

**3:13 p.m.** Committee recessed.

**3:17 p.m.** Committee came back to order.

Eric Johnson provided a brief overview of the progress made by the Department of Public Safety (Department) in implementing recommendations from the Concealed Handgun Permit Database performance audit presented to the Committee in December 2010. Out of a total of 12 recommendations (each subpart counted separately), 6 have been implemented and 6 are no longer

applicable due to the deletion of the Concealed Handgun Permit Database.

Ronald Sloan stated that the General Assembly did not authorize the continuation of the concealed handgun database. The database was deleted from the Colorado Crime Information Center system.

**3:22 p.m.** Committee recessed.

### **August 23, 2011**

The Legislative Audit Committee came back to order at 9:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Tochtrop, Chair, Representative Acree, Vice-Chair, Representative D. Gardner, Senator Guzman, Senator King, Senator Renfroe

**EXCUSED:** Representative Miklosi, Representative Summers

The following staff members from the Office of the State Auditor (OSA) and other state agencies were in attendance on August 23, 2011:

**OSA STAFF PRESENT:** Dianne Ray, State Auditor; Monica Bowers, Kerri Hunter, Jonathan Trull, Deputy State Auditors; Marisa Neff, Greg Fugate, Michelle Colin

**ALSO PRESENT:** Kevin Patterson, Office of the Governor; Kristin Russell, Jim Lynn, Governor's Office of Information Technology; Sue Birch, Antoinette Taranto, Department of Health Care Policy and Financing; Susan Beckman, Arapahoe County Commissioner; Frank Alexander, Department of Housing and Human Services

**9:06 a.m.** Representative Summers arrived at the hearing.

**9:10 a.m.** Representative Miklosi arrived at the hearing.

**FEDERAL COLORADO ELIGIBILITY  
AND ENROLLMENT REVIEW**

Office of the Governor

Kevin Patterson, Deputy Chief of Staff  
and Chief Administrative Officer

Governor's Office of Information Technology

Kristin Russell, Secretary of Technology  
and Chief Information Officer  
Jim Lynn, Agency Services Director

Department of Health Care Policy and Financing

Sue Birch, Executive Director  
Antoinette Taranto, Acting Client & Community  
Relations Office Director

Office of the State Auditor

Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Jonathan Trull, Deputy State Auditor  
Marisa Neff, Managing Legislative Auditor

Following introductions, Kerri Hunter summarized the scope and purpose of the review performed by the Centers for Medicare & Medicaid Services (CMS), and the findings identified as a result of the review.

Marisa Neff presented a comparison of findings identified in the June 2011 CMS report and Office of the State Auditor Statewide Single Audit reports for fiscal years 2007 through 2010.

Mr. Trull provided an overview of the correlation between the Colorado Benefits Management System (CBMS) functionality and the State's administration of the Medicaid program.

In response to questions and comments from Representatives Acree, Summers, and Gardner, Mr. Trull and Ms. Hunter indicated that the ongoing issues identified in the report are not solely due to CBMS or network functionality but a multitude of factors, including human error.

**9:24 a.m.** In response to a question from Senator Renfro, Mr. Trull stated that the Office of the State Auditor has a high level of confidence that the recommendations made in previous audit reports, if implemented, would solve the problems with the identified Medicaid issues that are ongoing.

Senator Guzman called for immediate corrective action from the Department of Health Care Policy and Financing (HCPF) to address issues that might jeopardize federal funding to the state.

**9:40 a.m.** Sue Birch stated that the Department has submitted a corrective action plan to CMS and is waiting on acceptance of that plan.

Kristin Russell stated that a full system upgrade was made in December 2010 to address capacity and performance issues and stabilization of the system. Ms. Russell stated that the Executive Steering Committee has prepared a comprehensive executive strategy which includes a Memo of Understanding and services level agreement between HCPF and the Governor's Office of Information Technology.

Antoinette Taranto reviewed initiatives implemented by HCPF to address the process weaknesses identified by CMS and OSA.

Arapahoe County Commissioner Susan Beckman commented on the efforts made by the Executive Steering Committee to facilitate the implementation of the corrective action plan submitted to CMS.

In response to a question from Representative Gardner, Ms. Birch agreed to provide the Office of the State Auditor the monthly court report documentation on the expected processing guidelines for Medicaid.

In response to a question from Senator King, Ms. Birch stated that the recommendations made in the Statewide Single Audits will be fully implemented within the next 18 months.

Chair Tochtrop requested an update from HCPF in June 2012 on the implementation status of the recommendations.

**10:10 a.m.** In response to a request from Senator Renfroe, Ms. Birch agreed to provide the Committee the dollar amount of benefits paid to applicants who have been unable to present satisfactory documentary evidence of eligibility. Ms. Birch stated that HCPF is looking into bringing forward proposed legislation concerning client fraud.

Senator Renfroe expressed concern over HCPF using funding issues as an excuse to not implement the recommendations addressing compliance with the federal rules for citizenship and alienage.

Kevin Patterson suggested that the Executive Steering Committee continue to work with OSA to prepare a list indicating which recommendations are already implemented.

**10:17 a.m.** Committee recessed.

**10:24 a.m.** Committee came back to order.

## **LEGISLATION**

State Auditor Ray discussed the recovery audit statutes relating to the exemptions from recovery audits proposed by the State Controller. The State Controller is required to provide the Legislative Audit and Joint Budget Committees the proposed exemptions from recovery audit; however, if the proposed exemptions are not vetoed by both Committees, the exemptions will continue for subsequent recovery audits until the State Controller proposes to change the exemptions. The Committee elected not to pursue legislation at this time.

Deputy State Auditors Monica Bowers and Mr. Trull reviewed potential Committee legislation for the 2012 Session.

## **GENERAL BUSINESS**

**10:39 a.m.** Ms. Hunter discussed the requirements of the Office of the State Auditor to communicate various matters to those charged with governance of the State of Colorado, as required under the Statement of Auditing Standards 114 (SAS 114), regarding the audit of Fiscal Year 2011 financial statements of the State of Colorado.

Ms. Hunter explained a change for the 2012 Statewide Single Audit to include only significant deficiencies and material weaknesses. The deficiencies in internal control, the lowest level of severity, will not be included in the Statewide Single Audit. However, the deficiencies in internal control will be communicated to the agencies in a management letter.

**Audit Requests** Ms. Bowers presented a request to change the focus of a previously approved performance audit of mental health services. A motion was made by Representative Gardner and seconded by Representative Miklosi to change the scope of the mental health services audit. Motion passed unanimously.

In response to preliminary research by the State Auditor, based on request from Representative Acree for an audit of the performance and efficiency of the collection, distribution, and utilization of tobacco-related revenue resulting from the Amendment 35 cigarette and tobacco tax and the Tobacco Settlement funds, the Committee unanimously approved a motion by Representative Acree and seconded by Representative Miklosi approving the State Auditor to conduct an audit of the same.

**Other Business** State Auditor Ray announced that the Office of the State Auditor (OSA) received the 2011 National Legislative Program Evaluation Society (NLPES) Impact Award for the November 2010 performance audit of the Office of Cyber Security. Greg Fugate provided a brief overview of the upcoming NLPES Conference hosted by the OSA in Denver.

**10:56 a.m.** State Auditor Ray reviewed the 2007-2010 annual reports submitted by the Division of Local Government on rural transportation authorities. The annual report details the number of authorities that have been created, describes their boundaries, and specifies the rural transportation systems that are being provided and how they are being financed.

**Audit Requests** In response to a request from Representatives Sal Pace, Deb Gardner, and Joe Miklosi for an audit of the Division of Wildlife, the Committee unanimously approved a motion by





*State of Colorado*

LEGISLATIVE AUDIT COMMITTEE

Legislative Services Building - Second Floor  
200 East 14<sup>th</sup> Avenue  
Denver, Colorado 80203

LOIS TOCHTROP, CHAIR  
Senator  
CINDY ACREE, VICE-CHAIR  
Representative  
DEB GARDNER  
Representative  
LUCIA GUZMAN  
Senator

JIM KERR  
Representative  
STEVE KING  
Senator  
JOE MIKLOSI  
Representative  
SCOTT RENFROE  
Senator

**LEGISLATIVE AUDIT COMMITTEE**

**September 26 & 27, 2011**

**MINUTES**

A meeting of the Legislative Audit Committee convened at 9:55 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order. The roll was called with the following result:

**PRESENT:** Representative Acree, Representative D. Gardner, Senator Guzman, Representative Kerr, Senator Tochtrop

**EXCUSED:** Senator S. King, Representative Miklosi, Senator Renfroe

The following staff members from the Office of the State Auditor (OSA) and other agencies were in attendance on September 26, 2011:

**OSA STAFF PRESENT:** Dianne Ray, State Auditor; Monica Bowers, Kerri Hunter, Jonathan Trull, Deputy State Auditors; Sarah Aurich, Lillian Adams, Julie Chickillo, Manjula Udeshi, Michelle Colin, Derek Johnson, Chris Laughlin, Eric Johnson, Nina Frant

**ALSO PRESENT:** Barbara J. Brohl, John Vecchiarelli, Heather Copp, Ann Hagerty, Department of Revenue; Kathy Nesbitt, Jennifer Okes, Scott Madsen, Department of Personnel and Administration; Michael L. Bender, Gerald A. Marroney, Colorado Judicial Branch; Herman Stockinger, Glenn Davis, Sharon Truchan, Department of Transportation

**September 26, 2011**

**DEPARTMENT OF REVENUE  
TAX PROCESSING  
PERFORMANCE AUDIT  
SEPTEMBER 2011**

Department of Revenue

Barbara J. Brohl, Executive Director  
John Vecchiarelli, Senior Director, Taxation Unit  
Heather Copp, Deputy Director, Taxation Unit  
Ann Hagerty, Director, Central Department Operations Division

Department of Personnel and Administration

Kathy Nesbitt, Executive Director  
Jennifer Okes, Deputy Executive Director  
Scott Madsen, Director, Division of Central Services

Office of the State Auditor

Dianne E. Ray, State Auditor  
Jonathan Trull, Deputy State Auditor  
Sarah Aurich, Managing Legislative Auditor  
Lillian Adams, Legislative Auditor  
Julie Chickillo, Legislative Auditor  
Manjula Udeshi, Legislative Auditor

A motion was made by Representative Kerr and seconded by Senator Guzman to release the Department of Revenue Tax Processing performance audit. Motion passed unanimously.

Following introductions and opening remarks, Julie Chickillo reviewed the purpose and scope of the audit and a summary of findings.

In response to a question from Representative Gardner, Jennifer Okes and Kathy Nesbitt stated that the Governor's Office of Information Technology will be engaged early in the development of new tax processing (tax pipeline) procedures.

**10:20 a.m.** Senator Renfroe arrived at the hearing.

In response to a question from Representative Acree, Barbara Brohl explained that state law requires that Central Services provide all data entry and imaging services therefore making it necessary to transport documents back and forth between two cities and two different departments.

In response to various questions, a discussion ensued regarding the estimated cost of \$2 million to implement the technology necessary to automate the tax pipeline.

Upon further questioning from Representative Acree, Ms. Okes explained that there is a process in place that allows Central Services to grant waivers for services that can be provided at a

lower cost and more effectively on an out-sourced basis.

**10:35 a.m.** Senator King arrived at the hearing.

Recommendations 1 and 2 were reviewed, discussed, and agreed to by the Department of Revenue and the Department of Personnel and Administration (the Departments).

In response to a question from Senator Renfroe, John Vecchiarelli stated that there is no technological barrier to sending tax notices electronically but statute requires that tax notices be in a written format, sent by U.S. mail to the last known address. Mr. Vecchiarelli further stated that the federal power of attorney form is acceptable at the state level.

Ms. Brohl agreed to provide the Committee the e-mail address that can be used to contact the Department of Revenue with tax questions.

**11:06 a.m.** Recommendation 3 was reviewed, discussed, and agreed to by the Department of Revenue. In response to a request from Senator King, Mr. Vecchiarelli agreed to provide the Committee statistics on how many taxpayers contact the Department of Revenue electronically and via telephone on a daily basis.

State Auditor Ray stated that it will be important to have the Departments return to the Committee in July 2012 with status report updates.

**11:32 a.m.** Committee recessed briefly and came back to order.

**11:40 a.m.** Representative Miklosi arrived at the hearing.

## **GENERAL BUSINESS**

### **Minutes**

A motion was made by Representative Gardner and seconded by Representative Acree to approve the minutes of August 22-23, 2011. Motion passed unanimously.

### **Other Business**

State Auditor Ray provided an overview of OSA's proposal for sharing information with the General Assembly about audit recommendations that state agencies have not fully implemented.

State Auditor Ray submitted a summary of the Colorado Health Facilities Authority Expenditures, September 30, 2010 and 2009 audit report required by Section 25-25-127, C.R.S.

**11:47 p.m.** Committee recessed.

**1:22 p.m.** Committee came back to order.

**JUDICIAL BRANCH OVERSIGHT OF  
GUARDIANSHIPS AND CONSERVATORSHIPS  
PERFORMANCE AUDIT  
SEPTEMBER 2011**

Colorado Judicial Branch

Michael L. Bender, Chief Justice, Colorado Supreme Court  
Gerald A. Marroney, State Court Administrator

Office of the State Auditor

Dianne E. Ray, State Auditor  
Monica Bowers, Deputy State Auditor  
Michelle Colin, Managing Legislative Auditor  
Derek Johnson, Legislative Auditor  
Chris Laughlin, Legislative Auditor

A motion was made by Representative Gardner and seconded by Representative Acree to release the Judicial Branch Oversight of Guardianships and Conservatorships performance audit. Motion passed unanimously.

State Auditor Ray announced the development of a new section within the “Audit Scope and Methodology” that will be included in all performance audits, beginning with this audit. The section will provide information related to sampling.

**1:37 p.m.** Following introductions and opening remarks, Chair Tochtrop acknowledged and welcomed Senator Pat Steadman to the meeting.

In response to a question from Representative Kerr, Michelle Colin explained letters of authority issued by the courts to guardians and conservators.

Senator Steadman commented on failed legislation introduced two years ago that would have established statutory guidelines to determine reasonableness of judiciary fees and the need for legislative intervention to address this issue.

Recommendations 1-3 were reviewed, discussed, and agreed to by the Judicial Branch. Gerald Marroney stated that the *Trial Court Resource Manual* is being revised to clarify the policies and procedures for guardianship and conservatorship cases.

**2:26 p.m.** Recommendation 4 was reviewed, discussed, and agreed or partially agreed to by the Judicial Branch. Mr. Marroney asked the Committee’s assistance to obtain a statutory provision allowing the Judicial Branch to use the database of the Department of Revenue for contact information for delinquent guardians and conservators.

Recommendations 5-9 were reviewed, discussed, and agreed to by the Judicial Branch. Mr. Marroney agreed to provide the Committee a copy of the action plan that will be implemented to measure compliance with the established procedures and to evaluate progress made in the districts based on audit recommendations.

**3:15 p.m.** Committee recessed briefly and came back to order.

**MOTORCYCLE OPERATOR SAFETY  
TRAINING (MOST) PROGRAM  
DEPARTMENT OF TRANSPORTATION  
PERFORMANCE AUDIT  
SEPTEMBER 2011**

Department of Transportation

Herman Stockinger, Deputy Executive Director  
Glenn Davis, Manager of Impaired Driving Programs  
Sharon Truchan, Program Controls Analyst

Office of the State Auditor

Dianne E. Ray, State Auditor  
Jonathan Trull, Deputy State Auditor  
Eric Johnson, Managing Legislative Auditor  
Nina Frant, Legislative Auditor

A motion was made by Representative Gardner and seconded by Senator Guzman to release the MOST Program performance audit. Motion passed unanimously.

Following introductions and opening remarks, Chair Tochtrop acknowledged and welcomed Representative Dave Young to the meeting. Recommendations 1-3 were reviewed, discussed, and agreed to by the Department of Transportation (Department). Following discussions, Jonathan Trull clarified the overall audit scope.

**3:57 p.m.** Chair Tochtrop acknowledged and welcomed Representative Marsha Looper to the meeting. Recommendations 4-8 were reviewed, discussed, and agreed to by the Department. Discussion ensued regarding the options of discontinuing the MOST Program or implementing changes to address the other recommendations in the audit.

**GENERAL BUSINESS**

**Audit Request** State Auditor Ray introduced an audit request from the President of the Senate, Brandon C. Shaffer, for an audit of full-time K-12 online educational programs receiving General Fund support. Chair Tochtrop requested the Committee review the request for further consideration during the hearing on the following day.

**4:34 p.m.** Committee recessed.

**September 27, 2011**

The Legislative Audit Committee came back to order at 8:51 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order. The roll was called with the following result:

**PRESENT:** Representative Acree, Representative D. Gardner, Senator Guzman, Representative Kerr, Senator S. King, Senator Tochtrop

**EXCUSED:** Representative Miklosi, Senator Renfroe

The following staff members from OSA and other state agencies were in attendance on September 27, 2011:

**OSA STAFF PRESENT:** Dianne Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditors; Cindi Radke, Maggie Crowdes, Vickie Heller, Ferminia Hebert, Crystal Dorsey, Eric Johnson

**ALSO PRESENT:** Reggie Bicha, Joscelyn Gay, Viki Manley, Department of Human Services; Barbara J. Brohl, Abel Tapia, John Caligaris, Department of Revenue; Dana Franzen, Colorado Lottery Commission; Paul Niedermuller, Clifton Gunderson LLP; Jim Spaanstra, Lise Aangeenbrug, Great Outdoors Colorado; Ryan Sells, Natasha Suzuki, Ehrhardt Keefe Steiner & Hottman, LLP; Bob Lackner, Legislative Legal Services

**COLORADO STATE VETERANS  
NURSING HOMES  
DEPARTMENT OF HUMAN SERVICES  
PERFORMANCE AUDIT  
AUGUST 2011**

Department of Human Services

Reggie Bicha, Executive Director  
Joscelyn Gay, Director of the Office of Long Term Care  
Viki Manley, Director of the Division of State  
and Veterans Nursing Homes

Office of the State Auditor

Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Cindi Radke, Managing Legislative Auditor  
Maggie Crowdes, Legislative Auditor  
Vickie Heller, Legislative Auditor

A motion was made by Representative Kerr and seconded by Representative Acree to release the Colorado State Veterans Nursing Homes performance audit. Motion passed unanimously.

**9:00 a.m.** Representative Miklosi and Senator Renfroe arrived at the meeting.

Following introductions and opening remarks, Recommendations 1 and 2 were reviewed, discussed, and agreed or partially agreed to by the Department of Human Services (Department). A discussion ensued related to the Department's oversight of resident census levels at the Colorado State Veterans Nursing Homes (the Homes).

**9:30 a.m.** Recommendation 3 was reviewed, discussed, and agreed to by the Department. Joscelyn Gay stated that the Department has found the arrangement with an outside consultant to be a useful tool to evaluate and improve quality assurance and financial and marketing programs within the Homes. However, the Division of State and Veterans Nursing Homes (the Division) will collect and review data to ensure that Division accounting and marketing positions are not duplicative of the consulting contract.

Recommendations 4 - 6 were reviewed, discussed, and agreed or partially agreed to by the Department. In response to a question from Representative Kerr, Ms. Gay agreed to provide the Committee with the average salary of each staff position at the Homes.

Chair Tochtrop acknowledged and welcomed Representative Wes McKinley to the meeting. Recommendation 7 was reviewed, discussed, and agreed to by the Department. In response to a question from Representative Acree, State Auditor Ray stated that overall, the audit found no violations in how the sale of the Trinidad State Nursing Home was conducted; however, it did find a lack of documentation related to the reversion rights clause on the title to the property.

**10:15 a.m.** Committee recessed briefly and came back to order.

**COLORADO LOTTERY  
FINANCIAL AND COMPLIANCE AUDIT  
JUNE 30, 2011 AND 2010**

Department of Revenue

Barbara J. Brohl, Executive Director  
Abel Tapia, Director, Lottery Division  
John Caligaris, Controller, Lottery Division

Colorado Lottery Commission

Dana Franzen, Chairman

Office of the State Auditor

Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Ferminia Hebert, Legislative Auditor

Clifton Gunderson LLP

Paul Niedermuller, Partner

A motion was made by Senator Renfroe and seconded by Senator Guzman to release the Colorado Lottery financial and compliance audit. Motion passed unanimously.

Following introductions and opening remarks, Paul Niedermuller stated that the financial statements present fairly, in all material respects, the respective financial position of the major fund and remaining fund information of the Colorado Lottery as of June 30, 2011 and 2010.

Recommendation 1 was reviewed, discussed, and agreed to by the Lottery Division (Lottery). Abel Tapia stated that the Lottery is evaluating the games and marketing strategies of the entire jackpot game portfolio to maximize overall contributions from these products to ensure revenue is available to beneficiaries.

In response to a question from Representative Gardner, Mr. Tapia agreed to provide the Committee with the Lottery budget for 2012 regarding the percentage of distribution to gross revenue increase.

In response to a question from Senator King, Mr. Niedermuller stated that the credit rating of the insurance companies provided with annuity contracts are monitored regularly by the Lottery.

In response to a question from Senator Renfroe, Mr. Tapia explained the delivery expense increased due to the implementation of the full-courier scratch ticket delivery system in fiscal year 2011. State Auditor Ray stated the implementation of a new delivery system resulted from a prior year audit recommendation in the last Lottery performance audit.

**10:56 a.m.** Committee recessed briefly and came back to order.

**THE STATE BOARD OF THE  
GREAT OUTDOORS COLORADO  
TRUST FUND  
FINANCIAL AND COMPLIANCE AUDIT  
JUNE 30, 2011**

Great Outdoors Colorado  
Jim Spaanstra, Board Treasurer  
Lise Aangeenbrug, Executive Director

Office of the State Auditor  
Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Crystal Dorsey, Managing Legislative Auditor

Ehrhardt Keefe Steiner & Hottman, LLP  
Ryan Sells, Partner  
Natasha Suzuki, Manager

A motion was made by Senator Renfroe and seconded by Representative Acree to release The State Board of the Great Outdoors Colorado (GOCO) Trust Fund financial and compliance audit. Motion passed unanimously.

Following introductions and opening remarks, Ryan Sells stated that the financial statements present fairly, in all material respects, the financial position of GOCO as of June 30, 2011; and, that there were no recommendations from this audit.

## **GENERAL BUSINESS**

**Audit Request** State Auditor Ray reviewed an audit request from the President of the Senate, Brandon C. Shaffer, for an audit of full-time K-12 online educational programs receiving General Fund support. A motion was made by Representative Gardner and seconded by Senator Guzman to allow the State Auditor to conduct initial research to determine if an audit is warranted. The motion passed on a vote of 5-3.

## **LEGISLATION**

### **11:18 a.m. Item 1 - Vehicle Emissions Program**

Following introductions, Rick Kiger, Emissions Operations Director, reviewed a handout of the Department of Revenue's summary of proposed legislation for the 2012 session. A motion was made by Representative Acree and seconded by Representative Kerr to proceed with a bill draft to repeal a portion of the statutory requirements of the Emissions Program. The motion failed by a vote of 7-1.

A motion was made by Senator King and seconded by Senator Guzman to draft legislation that would bring the Emissions Program into compliance with the Environmental Protection Agency's federal minimum requirements. Motion passed unanimously.

**Item 2 - Colorado Mental Health Institute at Pueblo**

Deputy State Auditor Monica Bowers stated that the Department of Human Services reported that it is awaiting an opinion from the Attorney General's office regarding the need for statutory change to address the audit recommendation. The Department does not know at this time if it will seek assistance from the Committee on legislation.

**Item 3 - Employee Benefits**

Deputy Bowers stated that the Department of Personnel and Administration reported that it is awaiting a response from the Governor's Office regarding the Department's legislative proposals for 2012. The Department does not know at this time if it will seek assistance from the Committee on legislation.

**Item 4 - Judicial Branch Oversight of Guardianships and Conservatorships**

A motion was made by Representative Kerr and seconded by Representative Gardner to proceed with a bill draft that will create a statutory provision allowing the Judicial Branch to use the database of the Department of Revenue for contact information for delinquent guardians and conservators. Motion passed unanimously.

**Item 5 - Department of Treasury, Treasury Investment Program**

Deputy State Auditor Jonathan Trull reviewed Recommendation 2 from the audit. The Treasury Department is interested in pursuing legislation related to this recommendation and will attend the Committee hearing in November 2011 to discuss specifics.

**Item 6 - MOST Program, Department of Transportation**

A motion was made by Representative Acree and seconded by Representative Kerr to proceed with a bill draft that would repeal the MOST Program. The motion passed with a vote of 5-3.

**Item 7 - Department of Revenue Tax Processing**

A motion was made by Senator King and seconded by Representative Miklosi to draft legislation that will require professional tax preparers to file tax returns electronically if they file for multiple clients. Discussion ensued and the general opinion was to have representatives of the Department of Revenue (Department) attend the Committee hearing scheduled in November 2011 for further clarification and discussion. Before the motion was put to the vote, Senator King withdrew the motion and Representative Miklosi withdrew the second.

Senator Renfroe requested that the Department to be prepared to discuss the impact to the plan to modify the tax pipeline process since the plan is driven by paper processing, and the e-filing mandate would lessen the requirement for paper processing.

**12:16 p.m.** Senator Renfroe questioned the lack of discussion on the potential legislation resulting from Recommendation 4 of the Employee Benefits Program performance audit. A motion was made by Senator Renfroe and seconded by Representative Kerr to proceed with draft legislation to revise





## *State of Colorado*

### LEGISLATIVE AUDIT COMMITTEE

Legislative Services Building - Second Floor  
200 East 14<sup>th</sup> Avenue  
Denver, Colorado 80203

LOIS TOCHTROP, CHAIR  
Senator

CINDY ACREE, VICE-CHAIR  
Representative

DEB GARDNER  
Representative

LUCIA GUZMAN  
Senator

JIM KERR  
Representative

STEVE KING  
Senator

JOE MIKLOSI  
Representative

SCOTT RENFROE  
Senator

## LEGISLATIVE AUDIT COMMITTEE

**November 7 - 8, 2011**

### MINUTES

A meeting of the Legislative Audit Committee convened at 10:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order. The roll was called with the following result:

**PRESENT:** Representative Acree, Representative D. Gardner, Senator Guzman, Representative Kerr, Senator S. King, Senator Tochtrop

**EXCUSED:** Representative Miklosi, Senator Renfroe

The following staff members from the Office of the State Auditor (OSA) and other agencies were in attendance on November 7, 2011:

**OSA STAFF PRESENT:** Dianne Ray, State Auditor; Monica Bowers, Kerri Hunter, Jonathan Trull, Deputy State Auditors; Sarah Aurich, Michelle Colin, Crystal Dorsey, Greg Fugate, Christopher Harless, Eric Johnson, Anne Jordan, Jeffrey Kahn, Jenny Page, Trey Standley, Nathan White

**ALSO PRESENT:** Ellen Golombek, Michael McArdle, Peter Wingate, Jeff Fitzgerald, Department of Labor and Employment; Kathy Nesbitt, Jennifer Okes, Department of Personnel and Administration; David McDermott, Tammy Nelson, Karoline Clark, Marc Burkepile, Office of the State Controller; Gerald Marroney, Judicial Department; Herman Stockinger, Glenn Davis, Department of Transportation; Barbara Brohl, Mike Dixon, Rick Kiger, John Vecchiarelli, Department of Revenue; Garry Kaufman, Department of Public Health and Environment; Brett Johnson, Department of Treasury

**November 7, 2011**

**EMPLOYMENT VERIFICATION AND  
PUBLIC CONTRACTS FOR SERVICES LAWS  
DIVISION OF LABOR  
DEPARTMENT OF LABOR AND EMPLOYMENT  
PERFORMANCE AUDIT, OCTOBER 2011**

Department of Labor and Employment

Ellen Golombek, Executive Director  
Michael McArdle, Director, Division of Labor  
Peter Wingate, Labor Standards Administrator,  
Division of Labor

Department of Personnel and Administration

Kathy Nesbitt, Executive Director  
Jennifer Okes, Deputy Executive Director  
David McDermott, State Controller

Office of the State Auditor

Dianne E. Ray, State Auditor  
Monica Bowers, Deputy State Auditor  
Greg Fugate, Managing Legislative Auditor  
Christopher Harless, Legislative Auditor  
Anne Jordan, Legislative Auditor

A motion was made by Representative Kerr and seconded by Representative Acree to release the Employment Verification and Public Contracts for Services Laws performance audit. Motion passed unanimously.

Following introductions and opening remarks, Chair Tochtrop acknowledged and welcomed Representative Randy Fischer to the meeting.

**10:10 a.m.** Senator Renfroe and Representative Miklosi arrived at the hearing.

Greg Fugate provided an overview of the audit. Recommendation 1 was reviewed, discussed, and agreed to by the Division of Labor (Division). In response to a question from Representative Kerr, Chris Harless commented on the lack of documentation differentiating new hires versus rehires.

In response to a question from Representative Acree, Mr. Fugate commented on documentation retention schedule guidelines.

Senator Renfroe expressed his concern that the Division does not consider compliance with Colorado's Employment Verification Law a priority. Michael McArdle stated that compliance is a priority and briefly commented on new processes and policies recently implemented.

**10:30 a.m.** Recommendation 2 was reviewed, discussed, and agreed to by the Division. In response to questions from Senator Renfroe and Senator King, Mr. McArdle stated that the Division will obtain legal opinion from the Office of the Attorney General to clarify the total maximum amount the Division may fine an employer on a single audit under the Employment Verification Law.

Recommendations 3 through 6 were reviewed, discussed, and agreed to by the Division. In response to a question from Chair Tochtrop, Mr. McArdle stated that the Division will update all employers by U.S. mail of any policy, rule, or form requirement changes.

**11:00 a.m.** Recommendation 7 was reviewed, discussed, and agreed to by the Department of Personnel and Administration.

The Division of Labor's oversight role under the Public Contracts for Services Law was reviewed. The audit concluded that it may be appropriate for the General Assembly to further clarify the Division's intended oversight role.

**11:20 a.m.** Recommendation 8 was reviewed, discussed, and agreed to by the Division of Labor.

Recommendation 9 was reviewed, discussed, and agreed to by the Office of the State Controller.

**11:35 a.m.** Committee recessed briefly and came back to order.

A motion was made by Representative Gardner and seconded by Representative Miklosi to release the Cash Funds Uncommitted Reserves Report financial audit, the Schedule of TABOR Revenue report, and the Higher Education TABOR Enterprise Status memorandum. Motion passed unanimously.

**CASH FUNDS UNCOMMITTED RESERVES REPORT  
STATEWIDE AUDIT  
FINANCIAL AUDIT, OCTOBER 2011**

Office of the State Controller

David McDermott, State Controller  
Tammy Nelson, Reporting/Analysis Manager  
Karoline Clark, Financial Analyst

Office of the State Auditor

Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Crystal Dorsey, Managing Legislative Auditor  
Jeffrey Kahn, Managing Legislative Auditor

Following introductions, Crystal Dorsey reviewed the Cash Funds Uncommitted Reserves Report. In response to a question from Senator King, David McDermott stated that the Judicial Branch claims a separation of power regarding its compliance requirements to Senate Bill 98-194.

**SCHEDULE OF TABOR REVENUE  
SEPTEMBER 2011**

Office of the State Controller

David McDermott, State Controller  
Tammy Nelson, Reporting/Analysis Manager  
Marc Burkepile, Financial Reporting Analyst

Office of the State Auditor

Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Crystal Dorsey, Managing Legislative Auditor  
Jeffrey Kahn, Managing Legislative Auditor

Jeffrey Kahn summarized the Schedule of TABOR Revenue report. There were no recommendations in the report.

In response to a question from Representative Kerr, Mr. Kahn agreed to provide the Committee with the amount of TABOR revenue generated due to sales and use tax credits.

**HIGHER EDUCATION TABOR  
ENTERPRISE STATUS  
OCTOBER 2011**

Office of the State Auditor

Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Jeffrey Kahn, Managing Legislative Auditor

Mr. Kahn summarized the Higher Education TABOR Enterprise Status memorandum for Fiscal Year Ending 2011.

**12:08 p.m.** Committee recessed.

**1:30 p.m.** Committee came back to order.

**UNEMPLOYMENT INSURANCE PROGRAM  
DEPARTMENT OF LABOR AND EMPLOYMENT  
PERFORMANCE AUDIT, OCTOBER 2011**

Department of Labor and Employment

Ellen Golombek, Executive Director

Jeff Fitzgerald, Unemployment Insurance Program Director

Office of the State Auditor

Dianne E. Ray, State Auditor

Jonathan Trull, Deputy State Auditor

Eric Johnson, Managing Legislative Auditor

Trey Standley, Legislative Auditor

Nathan White, Legislative Auditor

A motion was made by Senator Guzman and seconded by Representative Kerr to release the Unemployment Insurance Program performance audit. Motion passed unanimously.

Following introductions and opening remarks, Recommendations 1 and 2 were reviewed, discussed, and agreed or partially agreed to by the Department of Labor and Employment (Department).

In response to a question from Representative Acree, Ellen Golombek stated that Colorado has not incurred fines or penalties from the federal government for failure to ensure that unemployment insurance claimants meet the requirements for House Bill 06S-1023 or federal law.

**2:00 p.m.** Recommendations 3 and 4 were reviewed, discussed, and agreed or partially agreed to by the Department.

In response to a question from Senator Renfroe, Ms. Golombek stated that the Unemployment Insurance Program currently sends employers a quarterly benefits charged statement and that a new employer self-service option will be available online by June 2012 which will allow employers access to benefits charged information. Ms. Golombek agreed to provide the Committee a summary of all information that will be provided through the online employer self-service option.

**2:20 p.m.** Representative Miklosi arrived at the meeting.

Recommendations 5 and 6 were reviewed, discussed, and agreed or partially agreed to by the Department.

**3:00 p.m. GENERAL BUSINESS**

**Minutes**

A motion was made by Senator Renfroe and seconded by Senator Guzman to approve the minutes of September 26 & 27, 2011. Motion passed unanimously.

**Legislation**

**Item 1 – Judicial Branch Oversight of Guardianships and Conservatorships, LLS 12-0190.02**

Following introductions, Michelle Colin reviewed the bill draft and highlight sheet for LLS No. 12-0190.02. Gerald Marroney, State Court Administrator, commented that the Judicial Department is asking for an amendment to the bill draft which would expand the authority of the Judicial Branch to utilize information from multiple state agencies and not solely the Department of Revenue.

A motion was made by Representative Acree and seconded by Representative Kerr requesting Legislative Legal Services to revise bill draft LLS 12-0190.02 to include the expanded scope of authority of the Judicial Branch to have access to information from multiple state agencies to aid in the investigation to determine the whereabouts of a guardian or ward. Motion passed unanimously.

**Item 2 – Motorcycle Operator Safety Training (MOST) Program, LLS 12-0189.01**

Following introductions, Eric Johnson reviewed the bill draft and highlight sheet for LLS No. 12-0189.01. Herman Stockinger, Deputy Executive Director of the Colorado Department of Transportation (Department), stated that the Department is currently conducting a survey of the 9,000 participants who have taken the program and that a survey of the 16+ operators of the program has already been completed.

A motion was made by Chair Tochtrop and seconded by Representative Gardner requesting the Department complete the program survey and provide the Committee the results of the survey in March 2012 before proceeding with the bill draft. Motion dies on a tie vote of 4-4 as follows:

Representative Acree:	No
Representative Gardner:	Aye
Senator Guzman:	Aye
Representative Kerr:	No
Senator King:	No
Representative Miklosi:	Aye
Senator Renfroe:	No
Chair Tochtrop:	Aye

Senator King suggested that the program oversight committee be reinstated.

A motion was made by Senator Renfroe and seconded by Senator King to proceed with bill draft LLS 12-0189.01. Motion dies on a tie vote of 4-4 as follows:

Representative Acree:	Aye
Representative Gardner:	No
Senator Guzman:	No
Representative Kerr:	Aye
Senator King:	Aye
Representative Miklosi:	No
Senator Renfroe:	Aye
Chair Tochtrop:	No

Chair Tochtrop encouraged the Department continue with the survey of program participants.

**Item 3 – Vehicle Emissions Program, LLS 12-0188.01**

Following introductions, Eric Johnson reviewed the bill draft and highlight sheet for LLS No. 12-0188.01. A motion was made by Senator King and seconded by Representative Acree to proceed with bill draft LLS 12-0188.01. Motion passed with a vote of 7-0. Representative Kerr was excused from the vote.

Sponsors: Senator King  
Representative Miklosi

Co-Sponsors: Senator Tochtrop, Senator Guzman, Representative Gardner

The Bill will start in the Senate.

**Item 4 – Department of Revenue Tax Processing**

A motion was made by Senator Guzman requesting Legislative Legal Services to proceed with a bill draft regarding e-file mandate guidelines intended to increase the use of electronic filing alternatives by tax type. The motion died with no second.

**Item 5 – Employee Benefits Program**

Following introductions, Ms. Colin reviewed the Recommendations from the Employee Benefits Program, Department of Personnel and Administration performance audit that have potential for statutory change.

A motion was made by Senator Tochtrop and seconded by Senator King requesting Legislative Legal Services to proceed with a bill draft that would revise the policies related to the state's contribution to part-time employees. Motion passed unanimously. This may be two bills if the title is too broad.

**Item 6 – Automobile Inspection and Readjustment (AIR) Program**

Following introductions, Ms. Colin reviewed the Recommendations from the Automobile Inspection and Readjustment (AIR) Program, Department of Public Health and Environment performance audit that have potential for statutory change.

A motion was made by Senator Guzman and seconded by Representative Acree to proceed with bill draft that would amend House Bill 06-1302 to reflect the limitations of remote sensing technology. Motion passed on vote of 5-2 as follows:

Representative Acree:	Aye
Representative Gardner:	Aye
Senator Guzman:	Aye
Representative Kerr:	No
Senator King:	Excused
Representative Miklosi:	Aye
Senator Renfroe:	No
Chair Tochtrop:	Aye

**Item 7 – Treasury Investment Program**

Deputy State Auditor Jonathan Trull briefly reviewed the Recommendation from the Treasury Investment Program, Department of Treasury performance audit that has potential for statutory change.

Deputy Treasurer Brett Johnson stated that the Department of Treasury will pursue statutory change of a broader scope than what was addressed in the audit and therefore will proceed with legislation in appropriate committee of reference.

**Item 8 – Unemployment Insurance Program**

Following introductions, Eric Johnson reviewed the Recommendation from the Unemployment Insurance Program, Department of Labor and Employment performance audit that has potential for statutory change. The Department of Labor and Employment is currently conducting an analysis regarding the effect of unemployment benefits being determined solely on the last employer, and considering the impact to employers, claimants, and the UI Trust Fund. The Committee chose to postpone proceeding with draft legislation until the analysis is complete.

**Item 9 – Colorado Mental Health Institute at Pueblo**

Deputy State Auditor Monica Bowers reported that the Department of Human Services has evaluated the police force at the Colorado Mental Health Institute at Pueblo in accordance with the audit recommendation from the performance audit released in December 2009 and has determined that changes to clarify the force's purpose and jurisdiction can be made through rules, so that no legislative change is needed.

**4:34 p.m.** Committee recessed.

**November 8, 2011**

The Legislative Audit Committee came back to order at 9:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order. The roll was called with the following result:

**PRESENT:** Representative Acree, Representative Brian DelGrosso, Representative D. Gardner, Senator Guzman, Senator S. King, Representative Miklosi, Senator Renfroe, Senator Tochtrop

Representative DelGrosso was appointed for November 8, 2011 to substitute for Representative Kerr.

The following staff members from OSA and other state agencies were in attendance on November 8, 2011:

**OSA STAFF PRESENT:** Dianne Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditors; Matthew Bush, Michelle Colin, Greg Fugate, Christopher Harless, Jenny Page, Jacob Wager

**ALSO PRESENT:** Barbara Brohl, George Thomson, Department of Revenue; Ron Kammerzell, Division of Gaming; Roger Hutson, Limited Gaming Control Commission; Karla Whittenburg, Scott Flansburg, EKS&H; Lee Kemp, Regional Transportation District Board of Directors; Phillip Washington, Terry Howerter, Regional Transportation District

**DIVISION OF GAMING  
DEPARTMENT OF REVENUE  
PERFORMANCE AUDIT, OCTOBER 2011**

Department of Revenue

Barbara Brohl, Executive Director  
George Thomson, Senior Director of Enforcement

Division of Gaming

Ron Kammerzell, Director

Limited Gaming Control Commission

Roger Hutson, Vice-Chair

Office of the State Auditor

Dianne E. Ray, State Auditor  
Monica Bowers, Deputy State Auditor  
Jenny Page, Managing Legislative Auditor  
Jacob Wager, Legislative Auditor

A motion was made by Representative Gardner and seconded by Representative Acree to release the Division of Gaming performance audit. Motion passed unanimously.

Following introductions and opening remarks, a discussion ensued regarding the Colorado Limited Gaming Control Commission's (the Gaming Commission) current tax and licensing structures.

**9:20 a.m.** Recommendation 1 was reviewed, discussed, and partially agreed to by the Gaming Commission. In response to a question from Representative DelGrosso, Jenny Page stated that the auditors did not analyze the impact on the gaming industry if a different gaming structure was applied.

State Auditor Ray clarified that the intent of Recommendation 1 was to merely identify an area of possible concern that the Gaming Commission should evaluate to ensure a fair and competitive environment for the gaming industry.

Roger Hutson stated that this is a complex issue that will require the Gaming Commission to consider many factors and testimony from all interested parties. If the Gaming Commission determines that any changes need to be made, it will consider options to address this matter.

**9:55 a.m.** Recommendations 2 and 4 were reviewed, discussed, and agreed or partially agreed to by the Division of Gaming. Recommendations 3 and 5 were not reviewed.

In response to a question from Representative Acree, Ron Kammerzell stated that Division of Gaming and the casinos do have the technical capacity to enforce the Gambling Payment Intercept Act; however, the challenge is getting the source documentation from the industry to be able to determine casinos' compliance.

**10:10 a.m.** Committee recessed briefly and came back to order.

**DIVISION OF GAMING  
DEPARTMENT OF REVENUE  
STATE OF COLORADO  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2011 AND 2010**

Department of Revenue

Barbara Brohl, Executive Director

George Thomson, Senior Director of Enforcement

Division of Gaming

Ron Kammerzell, Director

Office of the State Auditor

Dianne E. Ray, State Auditor

Kerri Hunter, Deputy State Auditor

Matt Bush, Legislative Auditor

EKS&H

Karla Whittenburg, Partner

Scott Flansburg, Manager

A motion was made by Representative Gardner and seconded by Representative Acree to release the Division of Gaming Financial Statements and Independent Auditors' Report. Motion passed unanimously.

Following introductions and opening remarks, Karla Whittenburg stated that the financial statements present fairly, in all material respects, the financial position of the Division of Gaming (Division); there no instances of non-compliance that are required to be reported under *Government Auditing Standards*; and, no recommendations were made to the Division.

**10:25 a.m.** Committee recessed briefly and came back to order.

## GENERAL BUSINESS

### Status Report with Agency Representation

Mr. Fugate provided a brief overview of the progress made by the Regional Transportation District (RTD) in implementing recommendations from the RTD Bus Cost Allocation Model Evaluation report presented to the Committee in February 2011. Out of a total of 7 recommendations (each subpart counted separately), 4 have been implemented, 2 have been partially implemented, and 1 was not implemented.

In response to a question from Representative Miklosi, Terry Howerter, RTD Chief Financial Officer, explained why RTD disagreed with Recommendation 1c.

### Audit Requests

Deputy State Auditor Bowers reviewed the Office of the State Auditor's evaluation of an audit request from the President of the Senate, Brandon C. Shaffer, for an audit of full-time K-12 online educational programs receiving General Fund support.

A substitute motion was made by Representative Acree and seconded by Senator King to expand the scope of the audit to include all K-12 institutions pertaining to per pupil funding count days and outcomes relating to graduation dates and CSAP outcomes. Motion died on a tie vote of 4-4 as follows:

Representative Acree:	Aye
Representative DelGrosso:	Aye
Representative Gardner:	No
Senator Guzman:	No
Senator King:	Aye
Representative Miklosi:	No
Senator Renfroe:	Yes
Chair Tochtrop:	No

A motion was made by Representative Miklosi and seconded by Representative Gardner to proceed with the audit of online educational programs. Motion died on a tie vote of 4-4 as follows:

Representative Acree:	No
Representative DelGrosso:	No
Representative Gardner:	Aye
Senator Guzman:	Aye
Senator King:	No
Representative Miklosi:	Aye
Senator Renfroe:	No
Chair Tochtrop:	Aye

**11:10 a.m.** Committee recessed.

**11:30 a.m.** Committee came back to order.





## *State of Colorado*

LOIS TOCHTROP, CHAIR  
Senator  
CINDY ACREE, VICE CHAIR  
Representative  
DEB GARDNER  
Representative  
LUCIA GUZMAN  
Senator

LEGISLATIVE AUDIT COMMITTEE  
Legislative Services Building - Second Floor  
200 East 14<sup>th</sup> Avenue  
Denver, Colorado 80203

JAMES KERR  
Representative  
STEVE KING  
Senator  
JOE MIKLOSI  
Representative  
SCOTT RENFROE  
Senator

### LEGISLATIVE AUDIT COMMITTEE

**December 12-13, 2011**  
**MINUTES**

A meeting of the Legislative Audit Committee convened on December 12, 2011 at 10:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order. The roll was called with the following result:

**PRESENT:** Representative D. Gardner, Representative J. Kerr, Senator S. King, Representative Miklosi, Senator Tochtrop

**EXCUSED:** Representative Acree, Senator Guzman, Senator Lundberg

The following staff members from the Office of the State Auditor (OSA) and other agencies were in attendance:

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Jonathan Trull, Deputy State Auditors; Sarah Aurich, Mindy Gates, Kara Trim, Lou Skull, Jonathan Caldwell, Michelle Colin, Lesa Fisher

**ALSO PRESENT:** Reggie Bicha, Julie Krow, John Gomez, Department of Human Services; Kelly Fox, Robert Kuehler, University of Colorado; Paul Niedermuller, Jean Bushong, Bill Petri, Caroline Wright, Madeline Quigley, Clifton Gunderson LLP; Ben Stein, Marina Krasny, Colorado Department of Transportation; Gerald Marroney, Judicial Branch; Kathy Nesbitt, Jennifer Okes, Department of Personnel & Administration; Garry Kaufman, Department of Public Health & Environment, Air Pollution Control Division

**DIVISION OF YOUTH CORRECTIONS  
DEPARTMENT OF HUMAN SERVICES  
PERFORMANCE AUDIT, NOVEMBER 2011**

Department of Human Services

Reggie Bicha, Executive Director

Julie Krow, Office of Children, Youth and Families, Director

John Gomez, Division of Youth Corrections, Director

Office of the State Auditor

Dianne E. Ray, State Auditor

Jonathan Trull, Deputy State Auditor

Sarah Aurich, Managing Legislative Auditor

Mindy Gates, Legislative Auditor

Kara Trim, Legislative Auditor

A motion was made by Representative Kerr and seconded by Representative Gardner to release the Division of Youth Corrections performance audit. Motion passed unanimously.

Following introductions and opening remarks, Sarah Aurich provided an overview of the audit. In response to a question from Representative Gardner, John Gomez stated that the average daily population of committed and detained youth has decreased over the last five years.

**10:25 a.m.** Recommendation 1 was reviewed, discussed, and agreed to by staff from the Department of Human Services (Department). In response to a question from Chair Tochtrop, Mr. Gomez explained the course of action taken to ensure appropriate facility placement of youth when space is not available.

In response to a question from Representative Miklosi, Mr. Gomez stated the Division of Youth Corrections will implement procedural expectations for administering the vulnerability assessment instrument and provide specific instructions on how to interpret the results and develop criteria for overriding the results when necessary.

Recommendations 2 and 3 were reviewed, discussed, and agreed to by staff from the Department. Reggie Bicha addressed concerns regarding rule violations, special management programs, and the use of administrative seclusion at the detention facilities.

Recommendations 4 and 5 were reviewed, discussed, and agreed to by staff from the Department. Representative Kerr suggested that the oversight of the state- and contractor-operated facilities be more transparent.

**11:20 a.m.** Committee recessed briefly.

**11:30 a.m. GENERAL BUSINESS**

**Minutes**

A motion was made by Representative Miklosi and seconded by Representative Gardner to approve the minutes of November 7-8, 2011. Motion passed unanimously.

**Other Business**

**Annual Executive Summary on Performance Audits of Tobacco Settlement Programs**

State Auditor Ray briefly reviewed an executive summary that the OSA is required to provide to the Legislative Audit Committee (Committee) annually related to evaluations conducted on tobacco settlement programs completed during the preceding calendar year. State Auditor Ray stated that a performance audit is underway that includes a component on the Tobacco Settlement Programs.

**JBC Discussion**

State Auditor Ray provided a brief update on the meeting held with the Joint Budget Committee regarding the audit recommendations not implemented and recommendations with financial impact. State Auditor Ray noted that the Chair of the Joint Budget Committee (JBC) suggested to the JBC that a subcommittee could be formed, to include members of the Legislative Audit Committee, to monitor audit recommendations not being implemented.

**11:40 a.m.** Committee recessed.

**1:30 p.m.** Meeting came back to order. Senator Lundberg joined in attendance.

**UNIVERSITY OF COLORADO  
FINANCIAL AND COMPLIANCE AUDIT  
JUNE 30, 2011 AND 2010**

University of Colorado

Kelly Fox, Vice President and Chief Financial Officer  
Robert Kuehler, Assistant Vice President and University  
Controller

Office of the State Auditor

Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Lou Skull, Managing Legislative Auditor

Clifton Gunderson LLP

Paul Niedermuller, Partner  
Jean Bushong, Senior Manger

A motion was made by Representative Kerr and seconded by Representative Gardner to release the University of Colorado financial and compliance audit. Motion passed unanimously.

Following introductions and opening remarks, Paul Niedermuller reviewed the financial statements of the University of Colorado and reported that an unqualified opinion was issued indicating that the financial statements fairly present the financial position of the operations.

Recommendations 1 - 3 were reviewed, discussed, and agreed to by University of Colorado staff.

**1:35 p.m.** Senator King arrived at the meeting.

**1:40 p.m.** Committee recessed briefly

**COLORADO BRIDGE ENTERPRISE  
COLORADO DEPARTMENT OF TRANSPORTATION  
ANNUAL FINANCIAL STATEMENTS  
JUNE 30, 2011**

Colorado Department of Transportation  
Ben Stein, Chief Financial Officer  
Marina Krasny, Deputy Controller

Office of the State Auditor  
Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Jonathan Caldwell, Legislative Auditor

Clifton Gunderson LLP  
Bill Petri, Partner  
Caroline Wright, Senior Manger  
Madeline Quigley, Manager

A motion was made by Representative Gardner and seconded by Senator King to release the Colorado Bridge Enterprise financial statements. Motion passed unanimously.

Following introductions and opening remarks, Bill Petri reviewed the financial statements of the Colorado Bridge Enterprise and reported that an unqualified opinion was issued indicating that the financial statements fairly present the financial position of the operations. The audit resulted in no auditors' findings or recommendations.

In response to a question from Representative Kerr, Ben Stein agreed to provide the Committee with the link to the Colorado Bridge Enterprise website.

**COLORADO HIGH PERFORMANCE  
TRANSPORTATION ENTERPRISE  
COLORADO DEPARTMENT OF TRANSPORTATION  
ANNUAL FINANCIAL STATEMENTS  
JUNE 30, 2011**

Colorado Department of Transportation  
Ben Stein, Chief Financial Officer  
Marina Krasny, Deputy Controller

Office of the State Auditor  
Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Jonathan Caldwell, Legislative Auditor

Clifton Gunderson LLP  
Bill Petri, Partner  
Caroline Wright, Senior Manger  
Madeline Quigley, Manager

A motion was made by Representative Kerr and seconded by Representative Gardner to release the Colorado High Performance Transportation Enterprise financial statements. Motion passed unanimously.

Following introductions and opening remarks, Bill Petri reviewed the financial statements of the Colorado Bridge Enterprise and reported that an unqualified opinion was issued indicating that the financial statements fairly present the financial position of the operations. The audit resulted in no auditors' findings or recommendations.

**2:20 p.m. GENERAL BUSINESS**

**Legislation**

**Item 1 – Judicial Branch Oversight of Guardianships and Conservatorships, LLS 12-0190.01 and LLS 12-0190.02**

Following introductions, Michelle Colin reviewed the bill draft and highlight sheet for LLS 12-0190.01. Gerald Marroney, State Court Administrator, expressed the opinion of the Judicial Branch concerning the proposed Bill.

A motion was made by Representative Kerr and seconded by Senator King to proceed with bill draft LLS 12-0190.01. Motion passed unanimously. The Bill will start in the House with the following sponsors:

House Sponsor: Representative Kerr  
Senator Sponsor: Senator King

Co-Sponsors: Senator Tochtrop, Representative Miklosi

The Committee requested a safety clause to be included on the Bill.

**Item 2 – Employee Benefits Program, LLS 12-0340.01**

Following introductions, Michelle Colin reviewed the bill draft and highlight sheet for LLS 12-0340.01. Kathy Nesbitt, State Personnel Director and Executive Director, Department of Personnel & Administration (Department), requested that the Bill not be moved forward by the Committee and that the Department be allowed to integrate this legislation into a broader Bill being introduced by the Department regarding total compensation. The Committee agreed.

**Item 3 – Employee Benefits Program, LLS 12-0445.01**

Michelle Colin reviewed the bill draft and highlight sheet for LLS 12-0445.01. Ms. Nesbitt requested that the Bill not be moved forward by the Committee since the Department will not be moving forward with policy revisions related to the State's contribution to benefits for part-time employees hired before January 1, 2005. The Committee agreed.

**Item 4 – Automobile Inspection and Readjustment (AIR) Program, LLS 12-0339.01**

Following introductions, Michelle Colin reviewed the bill draft and highlight sheet for LLS 12-0339.01. Garry Kaufman, Deputy Director, Air Pollution Control Division, provided summary and clarifying information on the AIR Program.

A motion was made by Representative Gardner and seconded by Senator King to proceed with bill draft LLS 12-0339.01. Motion passed on vote of 5-1 as follows:

Representative Gardner:	Aye
Representative Kerr:	Aye
Senator King:	Aye
Representative Miklosi:	Aye
Senator Lundberg:	No
Chair Tochtrop:	Aye

The Bill will start in the Senate with the following sponsors:

Senate Sponsor:	Senator King
House Sponsor:	Representative Gardner
Co-Sponsors:	Senator Tochtrop

No safety clause will be included on the Bill.

**3:45 p.m.** Committee recessed.

The Legislative Audit Committee came back to order on December 13, 2011 at 9:00 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order. The roll was called with the following result:

**PRESENT:** Representative Acree, Representative D. Gardner, Senator Guzman, Representative J. Kerr, Senator S. King, Senator Lundberg, Senator Tochtrop

**ABSENT:** Representative Miklosi

The following staff members from the OSA and other agencies were in attendance:

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Jonathan Trull, Deputy State Auditors; Lou Skull, Sarah Aurich, Kate Shiroff, Greg Fugate, Andrew Knauer, Jenny Page, Heather Lin, Lesa Fisher

**ALSO PRESENT:** Dr. W.M. "Bill" Scoggins, Joseph Trubacz, Roger A. Cusworth, Colorado School of Mines; Rob MaCoy, Marcia Ardan, BKD, LLP; Kevin Patterson, Governor's Office; Reed Rowley, Governor's Office of Economic Recovery; T.J. Deora, Governor's Energy Office; Daniel Domagala, Scott Lee, Jamie Hollier, Susan Berkholder, Department of Education; Kenneth Cole, Dr. Keith LaGrenade, Department of Human Services; Kathy Nesbitt, Jennifer Okes, Tom LeBlanc, Travis Engelhardt, Department of Personnel & Administration

**COLORADO SCHOOL OF MINES  
FINANCIAL STATEMENTS AND INDEPENDENT  
ACCOUNTANTS' REPORTS  
FINANCIAL AUDIT YEARS ENDED  
JUNE 30, 2011 AND 2010  
COMPLIANCE AUDIT YEAR ENDED JUNE 30, 2011**

Colorado School of Mines

Dr. W.M. "Bill" Scoggins, President  
Joseph Trubacz, Senior Vice-President of Finance  
Roger A. Cusworth, Controller

Office of the State Auditor

Dianne E. Ray, State Auditor  
Kerri Hunter, Deputy State Auditor  
Lou Skull, Managing Legislative Auditor

BKD, LLP

Rob MaCoy, Partner  
Marcie Ardan, Audit Manager

A motion was made by Representative Kerr and seconded by Representative Acree to release the Colorado School of Mines financial and compliance audit. Motion passed unanimously.

**9:05 a.m.** Representative Miklosi arrived at the meeting.

Following introductions and opening remarks, Rob MaCoy reviewed the financial statements of the Colorado School of Mines (the School) and reported that an unqualified opinion was issued indicating that the financial statements fairly present the financial position of the operations.

Recommendations 1 and 2 were reviewed, discussed, and agreed to by staff from the School. State Auditor Ray invited Dr. Scoggins to share with the Committee a summary of the School's current mission and activities.

**STATUS OF AMERICAN RECOVERY AND  
REINVESTMENT ACT MONIES IN COLORADO**

Governor's Office

Kevin Patterson, Deputy Chief of Staff

Governor's Office of Economic Recovery

Reed Rowley, Director

Governor's Energy Office

T.J. Deora, Director

Department of Education

Daniel Domagala, Statewide Longitudinal Data Systems,  
Project Director

Scott Lee, Statewide Longitudinal Data Systems,  
Program Manager

Jamie Hollier, Broadband Technology Opportunities Program,  
Project Manager

Susan Berkholder, Broadband Technology Opportunities  
Program, Compliance Officer

Office of the State Auditor

Dianne E. Ray, State Auditor

Jonathan Trull, Deputy State Auditor

Sarah Aurich, Managing Legislative Auditor

Kate Shiroff, Legislative Auditor

**9:45 a.m.** Following introductions and opening remarks, Ms. Aurich provided a brief overview on a series of performance audits conducted by OSA of the American Recovery and Reinvestment Act of 2009 (Recovery Act) program in Fiscal Years 2010 and 2011.

In response to a question from Senator Lundberg, Ms. Aurich stated that the audits conducted reviewed compliance with both state and federal laws regarding Recovery Act expenditures.

Deputy Auditor Trull clarified the focus of the information being provided. Kate Shiroff further explained the focus of the memorandum along with a summary of the status of the Recovery Act monies in Colorado.

In response to a question from Senator Guzman, Ms. Aurich explained that funds are allocated to individual state agencies and local government agencies and are received when agencies request reimbursement.

T.J. Deora stated that the Governor's Energy Office (GEO) has requested an extension on the deadline to expend the Weatherization Assistance Program funds. Mr. Deora further stated that GEO is on target to spend the remaining Recovery Act funds from all other programs before the federal deadline.

**10:10 a.m.** In response to questions from Representative Acree, Mr. Deora agreed to provide the Committee information regarding 1) which grant program encompasses the Light Bulb Replacement Program; 2) the number of third-party contracts that are dependent on Recovery Act funds; 3) confirmation that there are no long-term obligations within contracts to expend dollars past the Recovery Act deadlines; 4) what amount GEO continues to have left from settlement funds awarded to the state years ago related to energy independence; and, 5) what would the balance of GEO's budget be without Recovery Act funds.

Daniel Domagala reviewed the Statewide Longitudinal Data Systems grant. Susan Berkholder reviewed the Broadband Technology Opportunities Program grant.

In response to questions from Senator Tochtrop, Ms. Aurich agreed to provide the Committee information from the Department of Local Affairs regarding their strategy to continue the Homelessness Prevention/Rehousing Program once Recovery Act funds are exhausted; and, why it cost the Department of Public Health and Environment \$444,000 just to investigate the possibility of moving the Women, Infants & Children program benefits to an electronic benefit transfer system instead of paper checks.

**10:34 a.m.** Reed Rowley discussed the Governor's Office involvement in overseeing Recovery Act monies in Colorado and the plans for ensuring that the remaining funds are spent before the federal deadlines.

### **Status Reports with Agency Representation**

#### **Psychiatric Medication Practices for Adult Civil Patients, Colorado Mental Health Institutes, Performance Audit, May 2011, Department of Human Services**

Andrew Knauer provided a brief overview of the progress made by the Department of Human Services in implementing recommendations from the Psychiatric Medication Practices for Adult Civil Patients, performance audit presented to the Committee in June 2011. Out of a total of 20 recommendations (each subpart counted separately), 15 have been implemented, 3 have been partially implemented, and 2 are not implemented.

Kenneth Cole, Mental Health Institute Division Director, reviewed the progress made by the Mental Health Institutes to address the Recommendations made in the audit.

#### **Administrative Leave Use in the State Personnel System, Performance Audit, January 2011, Department of Personnel & Administration**

Jenny Page provided a brief overview of the progress made by the Department of Personnel & Administration (Department), Department of Human Services, and Department of Corrections in implementing recommendations from the Administrative Leave Use in the State Personnel System performance audit presented to the Committee in March 2011. Out of a total of 14 recommendations (each subpart counted separately), 13 have been implemented and 1 has been partially implemented.

Jennifer Okes, Deputy Executive Director of the Department, reviewed the progress made to address the Recommendations made in the audit.

In response to a question from Representative Gardner, Ms. Page agreed to provide the Committee an update of the number of administrative leave hours being reported by the Department of Corrections.

**11:07 a.m. Other Business**

**Audit Requests**

State Auditor Ray briefly reviewed requests from Representative Cindy Acree and Mr. Deora, Governor's Energy Office Director, for an audit of the Governor's Energy Office.

A motion was made by Representative Acree and seconded by Senator King to authorize the OSA to proceed with preliminary research on the request for an audit of the Governor's Energy Office. Motion passed unanimously.

**Reports to Be Released Without Benefit of a Formal Hearing**

A motion was made by Representative Gardner and seconded by Senator Guzman to release the following reports without benefit of a formal hearing:

1. Auraria Higher Education Center; Financial and Compliance Audit; June 30, 2011 and 2010
2. Colorado Community College System; Basic Financial Statements and Compliance Audit; June 30, 2011 and 2010
3. Colorado State University System; Financial Statements and Independent Accountants' Reports; Financial Audit, Years Ended June 30, 2011 and 2010; Compliance Audit, Year Ended June 30, 2011
4. State of Colorado, University of Northern Colorado (UNC); Financial and Compliance Audits; Years Ended June 30, 2011 and 2010
5. Colorado State University; Independent Accountants' Report on Application of Agreed-Upon Procedures; Year Ended June 30, 2011
6. University of Northern Colorado; Independent Accountants' Report on the Application of Agreed-Upon Procedures to the Athletics Department Statement of Revenues and Expenditures; Year Ended June 30, 2011
7. University of Colorado at Boulder, Department of Intercollegiate Athletics; Independent Accountant's Report on Applying Agreed-Upon Procedures; For the Year Ended June 30, 2011
8. CollegeInvest, Prepaid Tuition Fund; Financial Statements; June 30, 2011 and 2010
9. CollegeInvest, College Savings Program Funds; Financial Statements; June 30, 2011 and 2010
10. CollegeInvest, Student Loan Program Funds; Financial and Compliance Audit; June 30, 2011 and 2010

11. Western State College of Colorado; Financial Statements and Report of Independent Certified Public Accountants; For Fiscal Years Ended June 30, 2011 and 2010
12. Adams State College; Financial and Compliance Audit; Fiscal years ended June 30, 2011 and 2010
13. Fort Lewis College; Financial and Compliance Audit; Fiscal Years Ended June 30, 2011 and 2010
14. Colorado Student Loan Program dba College Assist, Department of Higher Education; State of Colorado; Financial and Compliance Audits; Fiscal Years Ended June 30, 2011 and 2010

Motion passed unanimously.

### **Proposed 2012 Session Calendar**

State Auditor Ray briefly discussed the proposed calendar of Committee hearings during the 2012 Legislative Session. A motion was made by Representative Acree and seconded by Representative Kerr to approve the calendar. Motion passed unanimously.

### **Request for Workpapers**

In response to a written request for the release of workpapers related to the September 2005 Internal Health Care Provided to Inmates performance audit, a motion was made by Representative Kerr and seconded by Representative Acree not to make the workpapers public. Motion passed unanimously.

### **Office of the State Auditor Fiscal Year 2012 Budget Request**

State Auditor Ray reviewed the OSA's budget request for Fiscal Year 2012. Following discussion, a motion was made by Representative Gardner and seconded by Senator Guzman to approve the budget request. Motion passed unanimously.

### **Information Only**

State Auditor Ray requested distribution of unaudited, information only items provided to the Committee at their request.

There being no further business to come before the Committee, the meeting adjourned at 11:25 a.m. The next meeting scheduled is on January 17, 2012 at 7:00 a.m.

Minutes submitted by:

Lesa Fisher  
Executive Administrator  
Office of the State Auditor