



OFFICE OF THE STATE AUDITOR



DIANNE E. RAY, CPA
—
STATE AUDITOR

Legislative Audit Committee

January 10, 2017

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on January 10, 2017 at 9:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Nordberg called the meeting to order. The roll was called with the following result:

PRESENT: Senator Baumgardner, Senator-Elect Court, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Saine (arrived at 9:11 a.m.), Senator-Elect Smallwood (arrived at 9:13 a.m.), Representative Winter (arrived at 9:30 a.m.)

The following Office of the State Auditor (OSA) staff, and agency staff were in attendance:

OSA STAFF Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditors; Michelle Colin, Jenny Page, Kate Sabott, Trey Standley, Kara Trim

AGENCY STAFF Gregg Hefner, Paul Scharfenberger, Colorado Energy Office

PRESENT:

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
7TH FLOOR
DENVER, COLORADO
80203

303.869.2800

9:05 a.m. – GENERAL BUSINESS
9:10 a.m.

Election of Vice-Chair

A motion was made by Chair Nordberg and seconded by Senator-Elect Court to nominate Representative Kraft-Tharp as Vice-Chair of the Legislative Audit Committee. The vote passed by a vote of 6-0.

Election of Chair

A motion was made by Chair Nordberg and seconded by Senator-Elect Court to nominate Representative Kraft-Tharp as Chair of the Legislative Audit Committee. The vote passed by a vote of 6-0.

Election of Vice-Chair

A motion was made by Senator Jahn and seconded by Senator-Elect Court to nominate Senator Neville as Vice-Chair of the Legislative Audit Committee. The vote passed by a vote of 6-0.

Chair Recognition

Chair Kraft-Tharp presented a recognition award to Representative Nordberg for his service as Chair of the LAC from January 2016 to December 2016.

9:12 a.m. – Colorado Energy Office Follow Up to 2012 Audit
10:00 a.m. Governor's Office
Performance Audit, December 2016

A motion was made by Vice-Chair Neville and seconded by Representative Nordberg to release the *Colorado Energy Office Follow Up to 2012 Audit, Governor's Office, Performance Audit* (December 2016). The motion passed by a vote of 7-0.

Following introductions and opening remarks by Monica Bowers, Michelle Colin, Kara Trim and Kate Sabott provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by staff from the Colorado Energy Office. Further discussion ensued regarding the effect the implementation of the recommendation will have on the level of resources CEO will have available to administer programs.

In addition, CEO identified personnel changes which have been implemented to provide oversight of expenditures in order to ensure that funds are being utilized in a cost-effective manner.

Recommendation 2 was reviewed, discussed, and agreed to by staff from CEO. Further discussion ensued regarding systems the Department is implementing to ensure that contracts are consistently monitored including internal controls, training schedules, and contract monitoring software.

10:00 a.m. – GENERAL BUSINESS
10:30 a.m.

Approval of Minutes from December 5-6, 2016

A motion was made by Senator Jahn and seconded by Vice-Chair Neville to approve the Minutes from December 5-6, 2016. The motion passed by a vote of 9-0.

OSA Fraud Hotline

State Auditor Ray provided an update on the OSA Fraud Hotline legislation draft and requested that the committee wait for 2 weeks before acting on the bill draft. Further discussion ensued regarding the status of the stakeholder process including identifying departments involved, and requests for involvement received from the Colorado District Attorneys Council.

Colorado Correctional Industries Audit Legislation

After introduction by Monica Bowers, Trey Standley provided an overview of the proposed legislation related to the CCI audit from 2015. A motion was made by Senator-elect Court and seconded by Representative Saine to request draft legislation for the Colorado Correctional Industries Audit. Chair Kraft-Tharp clarified that all LAC members present, including those not yet sworn in for the new session (Senator-elect Court and Senator-elect Smallwood), would participate in the roll calls for the hearing. The motion passed by a vote of 8-0 (Senator Baumgardner had stepped out of the room).

Conservation Easements Tax Credit Program

After introduction by Monica Bowers, Jenny Page provided an overview of the two areas of proposed legislation related to the Conservation Easements Tax Credit Program.

Further discussion ensued regarding questions around whether the tax credit was covered in previous legislation, and whether or not the program was covered by Sunset Review this year. Ms. Page provided clarification on the Conservation Easements Oversight Commission's purpose.

A motion was made by Representative Saine and seconded by Vice-Chair Neville to request draft legislation for the Conservation Easements Tax Credit Program. The motion passed by a vote of 9-0.

Microwave Radio System Overhaul Audit Request

Monica Bowers provided an overview of the evaluation for a request for an audit of the Microwave Radio System overhaul. A motion was made by Representative Saine and seconded by Representative Nordberg to approve the request for an audit. The motion passed by a vote of 9-0.

Reports Released Without a Formal Hearing

A motion was made by Representative Nordberg and seconded by Vice-Chair Neville to release:

1. Adams State University, Alamosa, Colorado, Athletics Department Statement of Revenues and Expenses, Independent Accountants' Report on Applying Agreed-Upon Procedures in Accordance with National Collegiate Athletic Association Constitution 6.2.3.1.1, Year Ended June 30, 2016
2. Colorado Mesa University, Financial and Compliance Audit, Fiscal Years Ended June 30, 2016 and 2015
3. Colorado Mesa University, Athletics Department Statement of Revenues and Expenses, Independent Accountants' Report on Applying Agreed-Upon Procedures in Accordance with National Collegiate Athletic Association Bylaw 6.2.3.1, For the Year ended June 30, 2016
4. Colorado School of Mines, Intercollegiate Athletics Department Statement of Revenues and Expenses, Independent Accountants' Report on Applying Agreed-Upon Procedures in Accordance with National Collegiate Athletic Association Bylaw 6.2.3.1, Year Ended June 30, 2016
5. Colorado State University System, Financial Statements and Independent Auditor's Reports, Financial Audit, Years Ended June 30, 2016 and 2015, Compliance Audit, Year Ended June 30, 2016
6. Colorado State University – Global Campus (A University within the Colorado State University System), Financial Statements and Independent Auditor's Reports, Financial Audit, Years Ended June 30, 2016 and 2015
7. Colorado State University, Independent Accountants' Report on the Application of Agreed-Upon Procedures (NCAA Procedures), Year Ended June 30, 2016
8. Colorado State University - Pueblo, Independent Accountant's Report on the Application of Agreed-upon Procedures (NCAA Procedures), Year Ended June 30, 2016
9. Colorado Student Loan Program, dba College Assist, Department of Higher Education, State of Colorado, Fiscal Years Ended June 30, 2016 and 2015
10. Fort Lewis College, Durango, Colorado, Athletics Department Statement of Revenues and Expenses, Independent Accountants' Report on Applying Agreed-Upon Procedures in Accordance with National Collegiate Athletic association Bylaw 6.2.3.1

11. Metropolitan State University of Denver, Department of Intercollegiate Athletics, Independent Accountants' Report on Applying National Collegiate Athletic Association Agreed-Upon Procedures, For the Year Ended June 30, 2016
12. University of Colorado at Boulder, Department of Intercollegiate Athletics, Independent Accountants' Report on Applying National Collegiate Athletic Association Agreed-Upon Procedures, For the Year Ended June 30, 2016
13. University of Colorado, Colorado Springs, Department of Intercollegiate Athletics, Independent Accountants' Report on Applying National Collegiate Athletic Association Agreed-Upon Procedures, For the Year Ended June 30, 2016
14. University of Northern Colorado, Independent Accountants' Report on Application of Agreed-Upon Procedures, Year Ended June 30, 2016
15. Western State Colorado University, Financial and Compliance Audit, Fiscal Years Ended June 30, 2016 and 2015
16. Western State Colorado University, Athletics Department, Statement of Revenues and Expenses, Independent Accountants' Report on Applying Agreed-Upon Procedures in Accordance with National Collegiate Athletic Association Bylaw 6.2.3.1.1, For the year ended June 30, 2016

The motion passed by a vote of 8-0 (Senator Baumgardner had left the hearing). Kerri Hunter provided an overview of the audits.

10:30 a.m. There being no further business to come before the LAC, the meeting adjourned. The next scheduled hearing is January 24, 2017 at 7:00 a.m. in Hearing Room B (Audit Hearing Room), Legislative Services Building.

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



DIANNE E. RAY, CPA
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STATE AUDITOR

Legislative Audit Committee

January 24, 2017

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on January 24, 2017 at 7:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Nordberg called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Saine (arrived at 7:09 a.m. a.m.), Senator Smallwood, Representative Winter

The following Office of the State Auditor (OSA) staff, and agency staff were in attendance:

OSA STAFF Dianne E. Ray, State Auditor; Monica Bowers, Kerri
PRESENT: Hunter, Deputy State Auditors; Scott Reid, Trey Standley

AGENCY Don Brown, Joy Huse, Chris Wiseman, Department
STAFF of Agriculture; Sarah Cummings, Colorado State Fair
PRESENT: Authority; Kachina Weaver, Department of Higher Education; Stephanie Copeland, Jeff Kraft, Office of Economic Development and International Trade

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7:00 a.m. – GENERAL BUSINESS

7:03 a.m.

Snow Day Procedures

Chair Kraft-Tharp reviewed procedures for determining when LAC hearings will be cancelled, and how this information will be communicated to Committee members and the public.

In the event of inclement weather, the Committee member who commutes furthest from the hearing location will make a determination the night before the hearing as to whether or not the commute is possible, and will then text Chair Kraft-Tharp and Auditor Ray by 8:00 p.m. that evening to inform them. Chair Kraft-Tharp and Auditor Ray will then text Committee members to inform them if the hearing will be cancelled, and an announcement of the LAC hearing cancellation will also be sent out via Twitter. Any cancelled hearings during Session will be rescheduled for the next Friday afternoon.

7:03 a.m. – Colorado State Fair Authority

8:10 a.m. Financial and Compliance Audit

Fiscal Years Ended June 30, 2016 and 2015

A motion was made by Vice-Chair Neville and seconded by Representative Nordberg to release the *Colorado State Fair Authority Financial and Compliance Audit, Fiscal Years Ended June 30, 2016 and 2015*. The motion passed by a vote of 8-0. Following introductions and opening remarks by Kerri Hunter, Kimberly Temple of Wall, Smith, Bateman Inc. provided an overview of the audit.

Recommendation 2 was reviewed, discussed, and agreed to by staff from the Department of Agriculture.

Recommendation 1 was reviewed, discussed, and agreed to by staff from the Department of Agriculture. Further discussion ensued regarding clarification around revenue generated from State Fairs, and Colorado State Fair Authority's plans to generate additional revenue for future State Fairs including re-evaluating funding sources, modifying rental rates and facility usage for existing structures, and the possibility of outsourcing services for the event. It was decided by the Committee that the Colorado State Fair Authority would return to the LAC in 6 months and present the Committee with a marketing plan for future State Fairs.

10:00 a.m. – GENERAL BUSINESS

10:30 a.m.

Approval of Minutes from January 10, 2017

A motion was made by Vice-Chair Neville and seconded by Representative Nordberg to approve the Minutes from January 10, 2017. The motion passed by a vote of 8-0.

Legislation Discussion Summary

State Auditor Ray provided an overview of the status of outstanding LAC bill requests.

Colorado Correctional Industries Bill Draft

After introduction by Monica Bowers, Trey Standley provided a brief overview of Colorado Correctional Industries Bill Draft LLS NO. 17-0797.01. Further discussion ensued regarding changing the bill topic to more accurately reflect the intent of the Bill.

A motion was made by Representative Nordberg and seconded by Representative Winter to move the Bill Draft to bill paper. The motion passed by a vote of 8-0.

The Bill will start in the House.

Sponsors: Representatives Nordberg and Winter
Senators Jahn and Smallwood

Co-Sponsors Representative Kraft-Tharp
Senators Donovan and Neville

College Assist Bill Draft

Kerri Hunter provided an overview of the two bill draft options for the College Assist program, and reviewed changes that have been made to Option 1, Bill Draft LLS No. 17-0158.01: Concerning the Transfer of Administrative Responsibilities for the College Opportunity Fund Program from the Colorado Student Loan Program to the Department of Higher Education.

Further discussion ensued regarding whether Option 2, Bill Draft LLS No. 17-0158.02: Concerning Contracting by the Colorado Student Loan Program for the Administration of the College Opportunity Fund Program, would continue the currently established practice for the program, and the

demonstrated effectiveness of this option. Kachina Weaver provided additional information on the history of the program, and possible effects which may be realized by the passing of each option. State Auditor Ray clarified that the actual recommendation from the audit was to authorize College Assist to contract with the Department (Option 2).

The Committee voted to move forward with Option 2. A motion was made by Senator Donovan and seconded by Vice-Chair Neville to move Bill Draft LLS No. 17-0158.02 to bill paper. The motion passed by a vote of 8-0.

The Bill will start in the House.

Sponsors: Representatives Kraft-Tharp and Saine
Senators Donovan and Smallwood
Co-Sponsors: Representatives Nordberg and Winter
Senators Jahn and Neville

OSA Fraud Hotline

Auditor Ray updated the committee regarding the status of the OSA Fraud Hotline legislation, and requested that Committee members forward all stakeholder requests to her in order for OSA staff to be able to gather input for the bill draft.

History Colorado Legislation Request

Auditor Ray provided an overview of the request from History Colorado, and legislation that was passed in 2015. A motion was made by Representative Saine and seconded by Representative Winter to create draft legislation for the request. The motion passed by a vote of 8-0.

Child Protection Teams Bill Discussion

Vice-Chair Neville provided an overview of County Choice Child Protection Teams SB17-016 currently under consideration, and requested feedback from Committee members who would like to contribute to the process.

Office of the Child's Representative Audit Request

Auditor Ray provided an overview of a request for an audit of the Office of the Child's Representative. A motion was made by Representative Saine and seconded by Vice-Chair Neville to authorize the OSA to conduct initial research on the Office of the Child's Representative. The motion passed by a vote of 8-0.

Division of Insurance: Title Insurance Audit Request

Auditor Ray provided an overview of a request for an audit of the Division of Insurance: Title Insurance. A motion was made by Senator Jahn and seconded by Representative Saine to authorize the OSA to conduct initial research on the Division of Insurance. The motion passed by a vote of 8-0.

Colorado Office of Economic Development and International Trade, Enterprise Zone Annual Report, State Fiscal Year 2016

Following introductions of Colorado Office of Economic Development and International Trade (OEDIT) staff, Jeff Kraft provided an overview of the Enterprise Zone Annual Report for State Fiscal Year 2016. Further discussion ensued regarding reasons that the majority of business tax credits from the program are allocated to Denver.

Stephanie Copeland, Executive Director for OEDIT, extended an invitation for LAC members to attend the House Business Affairs and Labor Committee hearing on Thursday, 1/26/17, to in order to learn more information about the program, and for an opportunity to ask further questions regarding the report.

Reports Released Without a Formal Hearing

A motion was made by Senator Jahn and seconded by Vice-Chair Neville to release:

1. Adams State University, Financial and Compliance Audit, Fiscal Years Ended June 30, 2016 and 2015
2. Colorado Department of Transportation's Bridge Enterprise, Financial Statements and Independent Auditor's Reports, Financial Audit, Years Ended June 30, 2016 and 2015, Compliance Audit, Year Ended June 30, 2016
3. Colorado High Performance Transportation Enterprise, Financial Statements and Independent Auditor's Reports, Financial Audit, Years Ended June 30, 2016 and 2015, Compliance Audit, Year Ended June 30, 2016
4. Colorado Lottery, Financial and Compliance Audit, June 30, 2016 and 2015
5. Colorado Veterans Community Living Center at Fitzsimons, Financial Statements With Independent Auditors' Reports, Year Ended June 30, 2016

6. Division of Gaming, Department of Revenue, State of Colorado, Financial Statements, Independent Auditors' Report and Supplementary Information, Years Ended June 30, 2016 and 2015
7. Fort Lewis College, Financial and Compliance Audit, Fiscal Year Ended June 30, 2016 and 2015

The motion passed by a vote of 8-0. Kerri Hunter provided an overview of the audits.

8:47 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is February 7, 2017 at 7:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



DIANNE E. RAY, CPA
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STATE AUDITOR

Legislative Audit Committee

February 7, 2017

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on February 7, 2017 at 7:00 a.m., in, Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Saine, Senator Smallwood, Representative Winter

The following Office of the State Auditor (OSA) staff, and agency staff were in attendance:

OSA STAFF Dianne E. Ray, State Auditor; Monica Bowers, Kerri
PRESENT: Hunter, Deputy State Auditors; Greg Fugate

AGENCY Brad Baca, Erin McKenzie, Gregory Salsbury,
STAFF Western State Colorado University; Todd Wheeler,
PRESENT: Western State Colorado University Board of Trustees;
Adam Fennel, Robert Spencer, Huron Consulting
Group

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
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80203

303.869.2800

7:00 a.m. – Performance Evaluation of Western State Colorado University
8:37 a.m.

A motion was made by Representative Saine and Seconded by Senator Neville to release the Performance Evaluation of Western State Colorado University. The motion passed by a vote of 8-0. Following introductions and opening remarks by Monica Bowers, Adam Fennel and Robert Spencer provided an overview of the report.

Chapter 1 was reviewed and discussed. Discussion ensued regarding methods used to calculate expenditures per student.

The Financial Assessment Section of Chapter 2 was reviewed and discussed. Further discussion ensued regarding a synopsis of past and upcoming capital projects.

The Operational Assessment Section of Chapter 2 was reviewed and discussed. Further discussion ensued regarding measures taken by the organization to evaluate and mitigate student loan debt for their students. In addition, Brad Baca provided clarification concerning the reserve fund that Western State maintains in order to address fluctuations in revenue resulting from changes in enrollment and other factors.

The Strategic Assessment Section of Chapter 2 was reviewed and discussed. Further discussion ensued regarding strategies utilized to set retention rate targets, and methods employed by Western State to compile statistical information.

Dr. Salsbury provided closing comments detailing Western State's accomplishments and goals. Discussion ensued regarding the prioritization and budgeting of capital projects, and clarification around the scale of the increase in reported student enrollment.

8:37 a.m. – GENERAL BUSINESS
8:44 a.m.

Approval of Minutes from January 24, 2017

A motion was made by Senator Jahn and seconded by Senator Smallwood to approve the Minutes from January 24, 2017. The motion passed by a vote of 8-0.

Legislation Discussion Summary

Vice-Chair Neville provided an update on the status of the Child Protection Teams Senate Bill 17-016, and reported that it passed 35-0 in the Senate. Chair Kraft-Tharp reported that the College Assist House Bill 17-1131 has passed in the House. State Auditor Ray reviewed the memo detailing the remaining legislative items and the schedule for presentation of the bill drafts.

Report Released Without a Formal Hearing

A motion was made by Vice-Chair Neville and seconded by Representative Nordberg to release:

1. 2016 School Capital Construction Annual Reporting by the Colorado Department of Education

The motion passed by a vote of 8-0. Kerri Hunter provided an overview of the report.

Information Only

Information requested from OEDIT at the prior LAC hearing was distributed to Committee Members. Chair Kraft-Tharp reported that OEDIT Staff met with Colorado State Fair personnel, and have connected them with the Enterprise Zone program located in their area.

8:44 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is February 21, 2017 at 7:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



DIANNE E. RAY, CPA
—
STATE AUDITOR

Legislative Audit Committee February 21, 2017 Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on February 21, 2017 at 7:00 a.m., in, Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg (arrived at 7:14 a.m.), Representative Saine, Senator Smallwood, Representative Winter

The following legislator, Office of the State Auditor (OSA) staff, and agency staff were in attendance:

**OTHER
LEGISLATOR
PRESENT:** Representative Kimmi Lewis

**OSA STAFF
PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditors; Greg Fugate, Jenny Page

**ALSO
PRESENT:** Beverlee McClure, Heather Heersink, Adams State University; Adam Fennel, Robert Spencer, Huron Consulting Group

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80203

303.869.2800

7:00 a.m. – Performance Evaluation of Adams State University
7:55 a.m.

A motion was made by Representative Saine and Seconded by Vice-Chair Neville to release the Performance Evaluation of Adams State University. The motion passed by a vote of 8-0. Following introductions and opening remarks by Monica Bowers, Adam Fennel and Robert Spencer provided an overview of the report.

Chapter 1 was reviewed.

The Financial Assessment Section of Chapter 2 was reviewed. Discussion ensued regarding the costs of projects that Adams State has completed, and specifics around increases in research, public service, and auxiliary expenses.

The Operational Assessment Section of Chapter 2 was reviewed.

The Strategic Assessment Section of Chapter 2 was reviewed and discussed. Further discussion ensued regarding Adam State's capacity, and outstanding expenses associated with increasing enrollment.

Dr. McClure provided closing comments clarifying Adam State's future goals. Discussion ensued regarding the makeup of the Board of Directors in relation to how any changes in board composition might affect fiscal oversight. In addition, factors which have affected the current debt-load were identified, and clarification was provided around Adam State's status with the Higher Learning Commission.

7:55 a.m. – GENERAL BUSINESS
8:40 a.m.

Approval of Minutes from February 7, 2017

A motion was made by Vice-Chair Neville and seconded by Representative Nordberg to approve the Minutes from February 7, 2017. The motion passed by a vote of 8-0.

History Colorado Bill Draft

Auditor Ray provided an overview of Bill Draft LLS NO. 17-0889.01 *Concerning the Governance Structure of the State Historical Society*.

A motion was made by Representative Saine and seconded by Representative Winter to approve Bill Draft LLS NO. 17-0889.01 to be put on Bill Paper. The motion passed by a vote of 8-0.

The Bill will start in the House.

Sponsors:

Representatives Saine and Winter
Senators Donovan and Smallwood

Co-Sponsors:

Representatives Kraft-Tharp and Nordberg
Senator Jahn

Conservation Easement Tax Credit Program Bill Draft

Ms. Page provided an overview of Bill Draft LLS No. 17-0798.01 *Concerning measures to ensure that the conservation easement income tax credit helps the state meet its established conservation needs*.

Further discussion ensued regarding the need to ensure that the title and language of the bill reflect the values and intent of the legislation. Committee members were asked to submit recommendations regarding language and content to Ms. Page by February 23, 2017 by close of business so that the revised Bill Draft can be presented at the March 7, 2017 LAC.

Representative Lewis updated the committee regarding her district's interest in the process, and expressed her support of the actions being taken with this legislation.

OSA Fraud Hotline Bill Draft

Mr. Fugate provided an overview of Bill Draft LLS No. 17-0157.01 *Concerning the Creation of Investigative Authority for the State Auditor Related to Hotline Reporting of Fraud in State Government*.

A motion was made by Representative Saine and seconded by Vice-Chair Neville to approve Bill Draft LLS No. 17-0157.01 to be put on Bill Paper. The motion passed by a vote of 8-0.

The Bill will start in the House.

Sponsors:

Representatives Kraft-Tharp and Saine
Senators Jahn and Neville

Co-Sponsors:

Representatives Winter and Nordberg
Senators Donovan and Smallwood

Division of Insurance: Title Insurance Audit Request

Ms. Bowers provided an overview of the evaluation for a request for an audit related to the Division of Insurance - Title Insurance. A motion was made by Senator Smallwood and seconded by Vice-Chair Neville to approve the request for an audit of the regulation of title insurance by the Division of Insurance. The motion passed by a vote of 8-0.

Proposed 2017 Legislative Audit Committee Interim Calendar

State Auditor Ray submitted the Proposed 2017 Interim Calendar and requested feedback from Committee Members. An updated proposed interim calendar incorporating suggested schedule changes will be presented at the March 7, 2017 Legislative Audit Committee hearing.

Fiscal Year 2018 Office of the State Auditor Proposed Budget

State Auditor Ray provided an overview of the Fiscal Year 2018 OSA proposed budget, including information relating to the salary survey and requested merit pay increase. A motion was made by Representative Saine and seconded by Vice-Chair Neville to approve the proposed budget and move it forward to the Executive Committee with authorization to make changes as prescribed by the Executive Committee or the Joint Budget Committee. The motion passed by a vote of 8-0.

Report Released Without a Formal Hearing

A motion was made by Vice-Chair Neville and seconded by Senator Jahn to release:

1. 2016 Annual Report from the Colorado Educational and Cultural Facilities Authority on the Moral Obligation Bond Program

The motion passed by a vote of 8-0. Ms. Hunter provided an overview of the report.

8:40 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is March 7, 2017 at 8:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



DIANNE E. RAY, CPA
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STATE AUDITOR

Legislative Audit Committee

March 7, 2017

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on March 7, 2017 at 8:00 a.m. in the Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Saine, Senator Smallwood (arrived at 8:02 a.m.), Representative Winter

The following legislator, Office of the State Auditor (OSA) staff, and agency staff were in attendance:

OTHER Representative Kimmi Lewis
LEGISLATOR
PRESENT:

OSA STAFF Dianne E. Ray, State Auditor; Monica Bowers,
PRESENT: Deputy State Auditor; Nina Frant, Jenny Page, Trey Standley

ALSO Matthew Scott, Eric Meyers, Department of Revenue;
PRESENT: Robert Jaros, Office of the State Controller

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8:00 a.m. – 8:47 a.m. GENERAL BUSINESS

Approval of Minutes from February 21, 2017

A motion was made by Representative Saine and seconded by Representative Nordberg to approve the Minutes from February 21, 2017. The motion passed by a vote of 8-0.

Status Report

Following introductions and opening remarks, Trey Standley provided an overview of the *Local Sales Taxes, Department of Revenue, Performance Audit* (November 2015).

Matthew Scott and Eric Meyers provided an overview on the implementation status of recommendations addressed to the Department of Revenue regarding local sales taxes. Further discussion ensued regarding the status of exceptions identified in the audit.

Commuting Use of State-Owned Vehicles Bill Draft

Nina Frant provided highlights of the *Commuting Use of State-Owned Vehicles, Performance Audit* (November 2016) to provide context for discussion of the Bill Draft. Discussion ensued regarding criteria utilized for designating employees as commuters, and for identifying agencies to include in the audit.

Ms. Frant provided an overview of Bill Draft LLS No. 17-0712 *Concerning the Assignment of State-Owned Motor Vehicles*. Further discussion ensued regarding resources necessary to implement the changes in proposed legislation, and questions regarding DPA's role in oversight of the commuting process.

A motion was made by Representative Nordberg and seconded by Vice-Chair Neville to lay the bill draft over until the March 21, 2017 LAC hearing in order to allow time for LAC Members to meet with OSA staff to clarify the cost-efficiency of state vehicles used for commuting. The motion passed by a vote of 8-0.

Conservation Easement Tax Credit Program Bill Draft

Jenny Page provided an overview of the feedback integrated into the Conservation Easement Tax Credit Bill Draft LLS No. 17-0798.01 *Concerning measures to ensure that the conservation easement income tax credit helps the state meet its established conservation needs*, and highlighted options outlined in the bill draft text. Further discussion ensued regarding the need to include additional relevant stakeholders in reviewing the proposed legislation. A motion was made by Representative Saine and seconded by Senator Jahn to lay the bill draft over until the March 21, 2017 LAC Hearing. The motion passed by a vote of 8-0.

Office of the Child's Representative Audit Request

Monica Bowers provided an overview of the evaluation for a request for an audit related to the Office of the Child's Representative. A motion was made by Chair Kraft-Tharp and seconded by Representative Saine to approve the request for a performance audit of the Office of the Child's Representative. The motion passed by a vote of 8-0.

Proposed Exemption to the Recovery Audit Process

State Auditor Ray provided an overview of a request for exemption for the Department of Health Care Policy and Financing (DHCPF) to the recovery audit managed by the Office of the State Controller (OSC). A motion was made by Senator Smallwood, and seconded by Senator Donovan to approve the request for exemption. The motion passed by a vote of 8-0.

Proposed 2017 Legislative Audit Committee Interim Calendar

State Auditor Ray requested feedback from Committee Members on the revised Proposed 2017 Interim Calendar. An updated proposed interim calendar incorporating suggested schedule changes will be sent to LAC Members by email to solicit feedback, and voted on by the Committee at the March 21, 2017 Legislative Audit Committee hearing.

8:47 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is March 14, 2017 at 7:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



DIANNE E. RAY, CPA
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STATE AUDITOR

Legislative Audit Committee

March 14, 2017

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on March 14, 2017 at 7:00 a.m. in the Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan (arrived at 7:03), Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Winter

EXCUSED: Representative Saine, Senator Smallwood

The following Office of the State Auditor (OSA) staff and agency staff were in attendance:

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Kerri Hunter, Deputy State Auditor; Crystal Dorsey, Fermina Herbert, Marisa Neff, Pooja Tulsian

ALSO PRESENT: Robert Jaros, Jeffrey Kahn, Office of the State Controller; Susan Birch, Jerrod Cotosman, Donna Kellow, Chris Underwood, Department of Health Care Policy and Financing

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
7TH FLOOR
DENVER, COLORADO
80203

303.869.2800

7:00 a.m. – Statewide Single Audit (Statewide)
7:15 a.m. Fiscal Year Ended June 30, 2016
Overview

A motion was made by Representative Nordberg and seconded by Vice-Chair Neville to release the *State of Colorado Statewide Single Audit, Fiscal Year Ended June 30, 2016*. The motion passed by a vote of 5-0.

Following introductions and opening remarks by Kerri Hunter, Marisa Neff provided an overview of the Statewide Audit.

7:15 a.m. - State of Colorado Comprehensive Annual Financial
7:36 a.m. Report
For the Fiscal Year Ended June 30, 2016

Following introductions and opening remarks, Robert Jaros provided an overview of the State of Colorado Comprehensive Annual Financial Report.

7:36 a.m. - Statewide Single Audit (Statewide)
7:56 a.m. Fiscal Year Ended June 30, 2016
Discussion of Department Recommendations from the State
Controller's Office

Marissa Neff and Crystal Dorsey provided an overview of the Office of the State Controller (OSC) findings and recommendations of the Statewide audit.

Recommendation 2016-027 was reviewed and agreed to by staff from OSC.

Recommendation 2016-028 was reviewed, discussed, and agreed to by staff from OSC. Further discussion ensued regarding specifics of the schedule for completion of implementation of the recommendation.

7:56 a.m. - GENERAL BUSINESS
7:57 a.m.

Approval of Minutes from March 7, 2017

A motion was made by Vice-Chair Neville and seconded by Senator Jahn to approve the Minutes from March 7, 2017. The motion passed by a vote of 6-0.

7:57 a.m. - Statewide Single Audit (Statewide)
8:19 a.m. Fiscal Year Ended June 30, 2016
Discussion of Department Recommendations from the Department
of Health Care Policy & Financing

Following opening remarks and introductions by Ms. Hunter and Susan Birch, Fermina Herbert and Pooja Tulsian provided an overview of the Department of Health Care Policy & Financing (DHCPF) findings and recommendations of the Statewide audit.

Recommendation 2016-051 was reviewed and agreed to by staff from DHCPF.

Recommendation 2016-053 was reviewed and agreed to by staff from DHCPF.

Recommendation 2016-054 was reviewed and agreed to by DHCPF staff. Further discussion ensued regarding any budgetary effects resulting from the reporting inaccuracies identified in the audit.

8:19 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is March 21, 2017 at 8:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



DIANNE E. RAY, CPA
—
STATE AUDITOR

Legislative Audit Committee March 21, 2017 Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on March 21, 2017 at 8:00 a.m. in the Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Neville (arrived at 8:05 a.m.), Representative Nordberg, Representative Saine, Senator Smallwood, Representative Winter (arrived at 8:02 a.m.)

The following legislator, Office of the State Auditor (OSA) staff, and agency staff were in attendance:

**OTHER
LEGISLATOR
PRESENT:** Representative Kimmi Lewis

**OSA STAFF
PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditors; Nina Frant, Jenny Page

**ALSO
PRESENT:** Robert Jaros, Office of the State Controller

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303.869.2800

8:00 a.m. – 8:23 a.m. GENERAL BUSINESS

Approval of Minutes from March 14, 2017

A motion was made by Representative Nordberg and seconded by Representative Saine to approve the Minutes from March 14, 2017. The motion passed by a vote of 6-0.

Legislation Discussion

Commuting Use of State-Owned Vehicles Bill Draft

Nina Frant provided highlights of changes made to Bill Draft LLS No. 17-0712 *Concerning the Assignment of State-Owned Motor Vehicles*. Robert Jaros outlined benefits of the proposed bill, including measures to improve compliance requirements, and potential cost reductions anticipated as a result of the legislation.

A motion was made by Representative Nordberg and seconded by Representative Winter to approve Bill Draft LLS No. 17-0712 to be put on Bill Paper.

The Bill will start in the House.

Sponsors:

Representatives Kraft-Tharp and Nordberg
Senators Jahn and Smallwood

Co-Sponsors:

Representatives Saine and Winter
Senators Donovan and Neville

Conservation Easement Tax Credit Program Bill Draft

State Auditor Ray provided a brief overview of sunrise and sunset process information distributed at the hearing. Further discussion ensued around the possibility of sending a letter to the Department of Regulatory Agencies (Department) regarding its sunset review of the Conservation Easement Oversight Commission in order to inform the Department of findings identified in the *Conservation Easement Tax Credit Program, After Changes in 2014 Performance Audit* (November 2016).

In addition, Legislative Audit Committee members discussed meetings which have been conducted with stakeholder groups regarding Conservation Easement Tax Credit Bill Draft LLS No. 17-0798.01, *Concerning Measures to Ensure that the Conservation Easement Income Tax Credit helps the State Meet its Established Conservation Needs*, and the need for further vetting of the issues and concerns with the program.

A motion was made by Chair Kraft-Tharp and seconded Vice-Chair Neville to send a letter to the Department detailing significant findings from the *Conservation Easement Tax Credit Program, After Changes in 2014 Performance Audit* (November 2016). The motion passed by a vote of 8-0.

A motion was made by Chair Kraft-Tharp and seconded Vice-Chair Neville to review the status of the Conservation Easement Tax Credit Program at the July 2017 LAC. The motion passed by a vote of 8-0.

OSA Office of the State Auditor Fraud Hotline Amendment

Chair Kraft-Tharp provided a brief overview of proposed amendments to House Bill 17-1223, *OSA Office of the State Auditor Fraud Hotline*. The Committee consented to the proposed amendments.

Updates on Outstanding Legislation

LAC Members provided updates on the statuses of House Bill 17-1125, *Services in Correctional Facilities*; House Bill 17-1217, *State Historical Society Governance*; and Senate Bill 17-016, *County Choice Child Protection Teams*.

Reports Released Without a Formal Hearing

A motion was made by Representative Saine and seconded by Vice-Chair Neville to release:

1. Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR), Financial Audit, as of June 30, 2016
2. Statement of Federal Land Payments, Financial Audit, Federal Fiscal Year Ended September 30, 2016

The motion passed by a vote of 8-0. Kerri Hunter provided an overview of the reports.

2017 Legislative Audit Committee Interim Calendar

A motion was made by Representative Saine and seconded by Representative Winter to adopt the 2017 Interim LAC calendar. The motion passed by a vote of 8-0.

8:47 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearings are June 5, 2017 at 10:00 a.m.; and June 6, 2017 at 9:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



DIANNE E. RAY, CPA
—
STATE AUDITOR

Legislative Audit Committee

June 5-6, 2017

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on June 5, 2017 at 10:00 a.m. in the Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Representative Michaelson Jenet, Senator Neville, Representative Ransom, Representative Saine, Senator Smallwood

The following Office of the State Auditor (OSA) staff and others were in attendance:

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditors; Bryan Brune, Crystal Dorsey, Monica Power, Scott Reid, Kate Shiroff, Hayden Smith, Shannon Wawrzyniak, Meghan Westmoreland

ALSO PRESENT: Stephanie Copeland, Donald Zuckerman, Governor's Office of Economic Development and International Trade; Jeff Cummings, Pinnacol Assurance Board of Directors; Phil Kalin, Kathy Kranz, Pinnacol Assurance; Laurel Hammer, Hallie Larson, KPMG; Robert Jaros, Jeffrey A. Kahn, Office of the State Controller (OSC)

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1525 SHERMAN STREET
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10:00 a.m. – Office of Film, Television and Media,
11:25 a.m. Governor's Office of Economic Development and International Trade
Performance Audit, May 2017

A motion was made by Representative Saine and seconded by Vice-Chair Neville to release the *Office of Film, Television and Media, Governor's Office of Economic Development and International Trade Performance Audit* (May 2017). The motion passed by a vote of 8-0.

Following introductions and opening remarks by Monica Bowers, Kate Shiroff, Shannon Wawrzyniak, and Meghan Westmoreland provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by staff from the Office of Film, Television and Media (OFTM). Further discussion ensued regarding the viability of recovering OFTM money which was paid out to companies that were incorrectly awarded past media projects. In addition, OFTM program goals around employment were outlined.

Recommendation 2 was determined to be not applicable as it is an alternative option to Recommendation 1.

Recommendation 3 was reviewed, discussed, and agreed to by staff from OFTM. Further discussion ensued regarding the processes employed by OFTM to select, approve, and incentivize projects. In addition, the agency identified changes implemented to OFTM's processes in providing oversight to statutory compliance.

Recommendation 4 was reviewed, discussed, and agreed to by staff from OFTM. Further discussion ensued regarding transparency measures incorporated into the project incentive application process, and outreach methods utilized to solicit interest from media production companies to encourage participation in the program. The OFTM also provided explanation of the methodology behind project ranking and approvals, and discussed ways this process affects industry permanency and the rate of return on projects.

Recommendation 5 was reviewed, discussed, and agreed to by staff from OFTM.

Recommendation 6 was reviewed, discussed, and agreed to by staff from OFTM. Further discussion ensued regarding the methodology utilized to calculate the rate of return on projects. OFTM also recognized the need to incorporate expanded outreach into their strategic plan in order to generate a better return for the state, and the need to incorporate enhanced oversight of the program.

11:25 a.m. – GENERAL BUSINESS
11:30 a.m.

Approval of Minutes from March 21, 2017

A motion was made by Representative Saine and seconded by Senator Donovan to approve the Minutes from March 21, 2017. The motion passed by a vote of 8-0.

Legislative Audit Committee Legislation Update

State Auditor Ray provided an update on the status of bills which were sponsored by the LAC during the 2017 Session.

11:30 a.m. **The Committee recessed for lunch.**

1:00 p.m. – Pinnacol Assurance Statutory-Basis Financial Statements and
2:37 p.m. Supplemental Schedules of Investment Information (With
Independent Auditors' Report Thereon)
December 31, 2016 and 2015

A motion was made by Representative Saine and seconded by Senator Donovan to release the *Pinnacol Assurance Statutory-Basis Financial Statements and Supplemental Schedules of Investment Information (With Independent Auditors' Report Thereon) December 31, 2016 and 2015* financial audit. The motion passed by a vote of 8-0.

Following introductions and opening remarks by Kerri Hunter and Phil Kalin, Laurel Hammer and Hallie Larson provided an overview of the audit. Further discussion ensued regarding specifics of the surplus note issued for pension benefits to offset PERA liabilities and Pinnacol's possible future business model.

2:37 p.m. – Cash Funds Uncommitted Reserves
3:00 p.m. Fiscal Year Ended June 30, 2016
State of Colorado Performance Audit, May 2017

A motion was made by Representative Saine and seconded by Senator Smallwood to release the *Cash Funds Uncommitted Reserves Fiscal Year Ended June 30, 2016 State of Colorado Performance Audit* (May 2017). The motion passed by a vote of 5-0 (Chair Kraft-Tharp, Senator Jahn, and Senator Donovan had left the room).

Following introductions and opening remarks by Kerri Hunter, and introductions of Office of the State Controller (OSC) staff by Robert Jaros, Scott Reid provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by staff from OSC. Further discussion ensued regarding methods utilized to determine that reporting by OSC was out of compliance with statutory deadlines. In addition, OSC agreed with the expressed need to reach out to pertinent federal agencies to extend apologies and assurances in order to mitigate any effect the failure to meet deadlines has had on the ability for the State of Colorado to obtain federal grants.

3:00 p.m. – National Collegiate Athletics Association Financial Data Compilation
3:23 p.m. Higher Education Institutions of the State of Colorado
Informational Report, May 2017

A motion was made by Vice-Chair Neville and seconded by Senator Jahn to release the *National Collegiate Athletics Association Financial Data Compilation Higher Education Institutions of the State of Colorado Informational Report* (May 2017). The motion passed by a vote of 7-0 (Senator Donovan had left the room).

Following introductions by Kerri Hunter, Monica Power, Bryan Brune, and Hayden Smith provided an overview of the report. Further discussion ensued regarding the genesis of the report.

3:23 p.m. The Committee recessed for the day.

The LAC was reconvened on June 6, 2017 at 9:00 a.m. in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Representative Michaelson Jenet, Senator Neville, Representative Ransom, Representative Saine, Senator Smallwood

The following Office of the State Auditor (OSA) staff and others were in attendance:

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditors; Carleen Armstrong, Michelle Colin, Nina Frant,

ALSO PRESENT: June Taylor, Kim Burgess, Department of Personnel & Administration (DPA); George Skiles, Sjoberg Evashenk Consulting; Anders Johnson, Robert Werthwein, Department of Human Services (DHS)

9:00 a.m. – 10:30 a.m. Annual Compensation Study
Department of Personnel & Administration
Performance Audit, May 2017

A motion was made by Vice-Chair Neville and seconded by Representative Michaelson Jenet to release the *Annual Compensation Study, Department of Personnel & Administration Performance Audit* (May 2017). The motion passed by a vote of 8-0.

Following introductions and opening remarks by Monica Bowers, George Skiles provided an overview of the audit. Further discussion ensued regarding specifics of the scope limitation cited in the audit, and the inability of Sjoberg Evashenk Consulting to obtain sufficient information from the contractor to validate their results. In addition DPA provided explanation regarding State of Colorado procurement code requirements around deliverables, and the manner in which payments to contractors are approved.

Recommendation 1 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued around DPA's changes in methodology regarding approving and executing contracts in order to avoid problems similar to those cited in the audit from occurring in existing and future contracts. In addition, DPA provided clarification regarding processes employed to attempt to recover compensation for deliverables not provided by the contractor, and results of any legal assessment or action taken to obtain compensation for deliverables not provided.

DPA also verified that the Joint Budget Committee (JBC) was not informed of problems with the contractor once these issues were identified.

Recommendation 2 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued regarding reasons that aging issues in data verification were not identified by DPA staff.

Recommendation 3 was reviewed, discussed, and agreed to by staff from DPA. DPA provided clarification regarding their proposed plan to hire new staff with skill-sets specifically tailored to positions in the Compensation Unit. Further discussion ensued regarding the viability of hiring contractors for future studies.

Recommendation 4 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued regarding the need to explore methods utilized in the private sector to develop a workforce at DPA to fill positions in the Compensation Unit. In addition, DPA committed to meeting with the JBC and OSA staff in order to discuss issues addressed in the audit.

10:30 a.m. –
10:51 a.m. **GENERAL BUSINESS**

STATUS REPORT

Following introductions and opening remarks by Monica Bowers, Carleen Armstrong reviewed highlights from the *Division of Youth Corrections, Department of Human Services Performance Audit* (October 2016).

Robert Werthwein and Anders Jacobson provided an overview of the implementation status of recommendations addressed to the Division of Youth Corrections (DYC) in the audit. Further discussion ensued regarding updates to measures put in place to mitigate violence and assault levels in detainment facilities. In addition, agency staff were commended on improvements that have been observed in program processes.

AUDIT REQUESTS

Colorado Public Employees' Retirement Association (PERA)

State Auditor Ray presented a request submitted by Senator Larry Crowder for an audit of the Colorado Public Employees' Retirement Association (PERA). The request was tabled, to be considered following PERA's presentation of financial reporting at the July, 2017 Legislative Audit Committee Hearing.

Water Well Inspection Program

State Auditor Ray presented a request submitted by Senator Randy Baumgardner for an audit of the Water Well Inspection Program in the Colorado Department of Natural Resources. She requested the Committee's approval to conduct initial research to determine the potential scope of this audit. A motion was made by Senator Smallwood and seconded by Senator Donovan to approve the research request. The motion passed by a vote of 8-0.

Reports Released Without a Formal Hearing

A motion was made by Representative Saine and seconded by Senator Donovan to release:

1. Census Data Attestation for Colorado Public Employees Retirement Association (PERA) 2016 Annual Financial Audit
2. Department of Local Affairs Fiscal Year 2016 Agreed Upon Procedures Reporting

The motion passed by a vote of 8-0. Ms. Hunter provided an overview of the reports.

10:51 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearings are July 24, 2017 at 10:00 a.m.; and July 25, 2017 at 9:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by:	Marcie Jacobs
	Executive Assistant to the State Auditor
	Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

July 24-25, 2017

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on July 24, 2017 at 10:00 a.m. in the Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Saine, Senator Smallwood, Representative Winter (arrived at 10:05 a.m.)

The following Office of the State Auditor (OSA) staff and others were in attendance:

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Deputy State Auditor; Jenny Atchley, Laura Bravo, Robert Regan, Trey Standley

ALSO PRESENT: Jason Brinkley, Great Outdoors Colorado Board of Directors; Chris Castilian, Great Outdoors Colorado; Bob Broscheid, Robert Randall, Justin Rutter, Colorado Parks and Wildlife; Tim O'Brien, Colorado Public Employees' Retirement Association Board of Trustees; Greg Smith, Colorado Public Employees' Retirement Association; Thomas Rey, CliftonLarsonAllen LLP; Eric H. Gary, Edward J. Koebel, Cavanaugh Macdonald Consulting, LLC

DIANNE E. RAY, CPA

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1525 SHERMAN STREET
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80203

303.869.2800

**10:00 a.m. – Investments in Colorado’s Great Outdoors,
11:34 a.m. Great Outdoors Colorado
Colorado Parks and Wildlife
Performance Audit, June 2017**

A motion was made by Representative Saine and seconded by Vice-Chair Neville to release the *Investments in Colorado’s Great Outdoors, Great Outdoors Colorado & Colorado Parks and Wildlife Performance Audit* (June 2017). The motion passed by a vote of 8-0.

Following introductions on opening remarks by Monica Bowers and introductions by Chris Castilian and Robert Randall; Jenny Atchley, Laura Bravo, and Robert Regan provided an overview of the audit.

Recommendations 1 & 2 were reviewed, discussed, and agreed to by staff from Great Outdoors Colorado (GOCO). Further discussion ensued regarding the need to clarify the meanings of the term “substantially equal” as referenced in the Colorado Constitution Article XXVII. In addition, GOCO outlined the manner in which funding is allocated to different organizations and activities, the level to which program information is made available to the public, and specifics around contributions awarded.

Recommendation 3 was reviewed, discussed, and agreed to by staff from Colorado Parks and Wildlife (CPW). Following introductions by Robert Randall and Bob Broscheid, further discussion ensued regarding ways in which CPW has changed policies and procedures in order to avoid future project planning and implementation delays, and to maintain a high level of transparency.

Recommendation 4 was reviewed, discussed, and agreed to by staff from Colorado Parks and Wildlife. Further discussion ensued regarding possible effects of the new processes implemented to estimate costs. CPW also acknowledged the need to evaluate past GOCO projects in order to build in operations and maintenance costs to best utilize GOCO funds.

**11:34 a.m. – GENERAL BUSINESS
11:44 a.m.**

Approval of Minutes from June 5-6, 2017

A motion was made by Representative Saine and seconded by Senator Donovan to approve the Minutes from June 5-6, 2017. The motion passed by a vote of 8-0.

Legislation Matrix

Ms. Bowers provided an overview legislation matrix, and details regarding outstanding items.

Recommendation 4 from the *Consumer-Directed Attendant Support Services, Department of Health Care Policy & Financing Performance Audit* (June 2015) was reviewed. The Department of Health Care Policy & Financing is in the process of completing an evaluation which may address issues outlined in the recommendation. The LAC took no action.

Recommendations 8a and 8b from the *Independent Ethics Commission, Judicial Branch Performance Audit* (February 2016) were reviewed. This item will be revisited at the October, 2017 LAC after the Supreme Court case is decided in September 2017.

Recommendation 2 from the *Schedule of TABOR Revenue Performance Audit* (September 2015) was reviewed. The LAC took no action.

Recommendation 5a from the *Office of Film, Television and Media Performance Audit* (May 2017) was reviewed. Further discussion ensued regarding the need for oversight of the Office's accounting processes. This item will be discussed at the October 2017 LAC.

11:44 a.m. The Committee recessed for lunch.

1:00 p.m. **COLORADO PUBLIC EMPLOYEES' RETIREMENT
ASSOCIATION (PERA) REPORTS**

1:00 p.m. – **Colorado Public Employees' Retirement Association**
1:07 p.m. **Financial Audit, Year Ended December 31, 2016**

A motion was made by Representative Nordberg and seconded by Vice-Chair Neville to release the *Colorado Public Employees' Retirement Association Financial Audit, Year Ended December 31, 2016*. The motion passed by a vote of 8-0.

Following introductions and opening remarks, Thomas Rey provided an overview of the audit.

1:07 p.m. – **Colorado Public Employees' Retirement Association**
1:18 p.m. **Comprehensive Annual Financial Report (CAFR)**
For the Year Ended December 31, 2016

Mr. Rey provided an overview of the CAFR.

1:18 p.m. – Presentation on the Actuarial Valuation of the Public Employees’ Retirement Association of Colorado as of December 31, 2016

Eric H. Gary, Edward J. Koebel and Greg Smith presented on the *Actuarial Valuation of the Public Employees’ Retirement Association of Colorado as of December 31, 2016*. PERA staff provided and reviewed a handout entitled *Legislative Audit Committee, Gregory W. Smith, Executive Director, July 24, 2017*. Further discussion ensued regarding factors utilized to calculate the percentage of monies allocated from active membership growth to pay off unfunded liabilities from retirees or inactive employees. PERA staff outlined methods employed to calculate the rate of growth of State employees in PERA, and modeling used in the event of a potential downturn in the Colorado economy. In addition, PERA staff clarified reasons for the increase in the amount of time now projected for the plan to become 100 percent funded, factors affecting the change in the timeline, and the effect of the changing mortality rate on assessing future risk.

3:01 p.m. – GENERAL BUSINESS
3:16 p.m.

AUDIT REQUEST

Colorado Public Employees’ Retirement Association (PERA)

State Auditor Ray presented a request submitted by Senator Larry Crowder for an audit of the Colorado Public Employees’ Retirement Association (PERA). Mr. Smith provided preliminary information regarding the three questions outlined in the request. A motion was made by Representative Saine to approve the request for research. Due to the lack of a second, no action was taken on the motion. The audit request will not move forward.

3:16 p.m. The Committee recessed for the day.

The LAC was reconvened on July 25, 2017 at 9:00 a.m. in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan (arrived at 9:02 a.m.), Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Saine, Senator Smallwood, Representative Winter

The following Legislators, Office of the State Auditor (OSA) staff and others were in attendance:

OTHER LEGISLATORS PRESENT: Representative Susan Beckman, Representative Kimmi Lewis, Senator Jerry Sonnenberg

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Deputy State Auditor; Carleen Armstrong, Crystal Dorsey, Sarah Grider, Christopher Harless, Jenny Page

ALSO PRESENT: Kevin Patterson, Brian Braun, Beth Deines, Connect for Health Colorado; Jennifer Okes, Department of Education; Gina Lanier, Adams/Arapahoe 28J School District; Marcia Waters, Brian Tobais, Department of Regulatory Agencies; David Anderson, Amy Greenwell, Michael D. Menefee, Andrew F. Seidl, Colorado State University

9:00 a.m. – 10:00 a.m. **Colorado Health Insurance Benefits Exchange: Connect for Health Colorado Performance Audit, June 2017**

A motion was made by Representative Nordberg and seconded by Representative Saine to release the *Colorado Health Insurance Benefits Exchange: Connect for Health Colorado Performance Audit*, (June 2017). The motion passed by a vote of 7-0.

Following introductions and opening remarks by Monica Bowers, Jenny Page, Carleen Armstrong, and Sarah Grider provided an overview of the audit.

Recommendation 1 was reviewed, discussed and agreed to by Connect for Health Colorado (C4H) staff. The LAC expressed appreciation regarding C4H staff's work on quickly implementing elements of the recommendation.

Recommendation 2 was reviewed, discussed and agreed to by C4H staff. Further discussion ensued regarding methods employed to categorize complaints and appeals submitted to C4H, and information collected in tracking statistics related to the submissions. In addition, C4H staff provided information around call-center logistics for open enrollment and other customer service functions, and issues identified regarding eligibility monitoring and notification.

10:00 a.m. – Fiscal Health Analysis, Fiscal Years 2014-2016

**10:38 a.m. Colorado School Districts
Informational Report, July 2017**

A motion was made by Representative Nordberg and seconded by Senator Jahn to release the *Fiscal Health Analysis, Fiscal Years 2014-2016, Colorado School Districts Informational Report* (July 2017). The motion passed by a vote of 8-0.

Following introductions by State Auditor Ray, Crystal Dorsey provided an overview of the report. Jennifer Okes discussed the Colorado Department of Education's (CDE) oversight of actions taken to aid school districts with financial management. Further discussion ensued regarding progress made toward addressing missed benchmarks and steps taken to address issues.

Gina Lanier from Adams/Arapahoe 28J School District reported on her district and on plans to mitigate future issues by including measures such as soliciting community engagement and evaluating trends. Ms. Dorsey also read statements provided by Ellicott School District 22, and Steamboat Springs School District RE-2 addressing information contained in the report.

**10:38 a.m. – GENERAL BUSINESS
11:34 a.m.**

Conservation Easement Tax Credit Program

Representatives Kimmi Lewis and Susan Beckman, and Senator Jerry Sonnenberg joined the hearing

Status Report

Following introductions and opening remarks by Monica Bowers, Jenny Page reviewed highlights from the *Conservation Easement Tax Credit Program, After Changes in 2014, Performance Audit* (December 2016).

Marcia Waters provided an overview of the implementation status of recommendations addressed to the Department of Regulatory Agencies (DORA) in the audit. Further discussion ensued regarding specifics around challenges associated with reviewing applications. DORA staff detailed modifications made to the fee-

setting process to track all portions of the fiscal year and to enhance communication with appraisers. Further, DORA staff discussed the disbanded placeholder process, and provided clarification regarding funding methods utilized to staff and manage the program.

Brian Tobias provided an overview of the sunset review process as it pertains to the Conservation Easement Tax Credit Program. The statutory provision instituted to create the Conservation Easement Oversight Commission and the statutory provision to create the easement holder certification process are scheduled to repeal, while the tax credit and general program will remain.

Colorado's Return on Investments in Conservation Easements: Conservation Easement Tax Credit Program and Great Outdoors Colorado, 2017 CE Study
Following introductions of Colorado State University (CSU) staff by Michael D. Menefee, Andrew F. Seidl provided official copies of the *Colorado's Return on Investments in Conservation Easements: Conservation Easement Tax Credit Program and Great Outdoors Colorado, 2017 CE Study*, and provided an overview of the study. Further discussion ensued regarding possible omissions of information on the map included in the study. CSU staff will follow up with Representative Lewis offline regarding details of the map.

Legislation Discussion

Ms. Page provided an overview of the key policy issues raised by the *Conservation Easement Tax Credit Program, After Changes in 2014, Performance Audit* (December 2016) relating to expanding reporting by the division, and the Commission's authority. The LAC decided to wait until after the sunset review of the program is completed in October 2017 to discuss potential legislation.

11:34 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearings are September 18, 2017 at 10:00 a.m.; and September 19, 2017 at 9:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

September 18-19, 2017

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on September 18, 2017 at 10:00 a.m. in the Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Neville called the meeting to order. The roll was called with the following result:

PRESENT: Senator Jahn, Representative Michaelson Jenet, Senator Neville, Representative Nordberg, Representative Ransom (replaced Representative Saine at 1:31 p.m.), Representative Saine, Senator Smallwood, Senator Williams (arrived at 1:28 p.m.), Representative Winter

The following Office of the State Auditor (OSA) staff and others were in attendance:

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Matt Devlin, Kerri Hunter, Deputy State Auditors; Michelle Colin, Derek Johnson, Stephanie Sanchez, Trey Standley, Kara Trim

ALSO PRESENT: Judge Elizabeth D. Leith, Denver Probate Court; Chris Ryan, Colorado Judicial Branch; Ryan Parsell, Department of the Treasury; Larry Wolk, Karin McGowan, Paul Gillenwater, Ann Hause, Colorado Department of Public Health and Environment; Suma Nallapati, Greg Williams, Brenda Berlin, Governor's Office of Information Technology; Ronald Franke, Rodney Almaraz, Myers and Stauffer LC

DIANNE E. RAY, CPA
—
STATE AUDITOR

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
7TH FLOOR
DENVER, COLORADO
80203

303.869.2800

10:00 a.m. – Public Administrators
11:23 a.m. Judicial Branch
Performance Audit, August 2017

A motion was made by Representative Saine and seconded by Representative Nordberg to release the *Public Administrators, Judicial Branch Performance Audit* (August 2017). The motion passed by a vote of 7-0.

Following introductions and opening remarks by Monica Bowers, Michelle Colin, Derek Johnson, and Stephanie Sanchez provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by Colorado Judicial Branch (Judicial Branch) staff. Further discussion ensued regarding the structuring of Public Administrators' fees.

Recommendation 2 was reviewed, discussed, and agreed to by staff from the Judicial Branch. Further discussion ensued regarding current probate code requirements and the possibility of legislation to address consistency and oversight of practices.

Recommendation 3 was reviewed, discussed, and agreed to by staff from the Judicial Branch. Judicial Branch staff agreed to return to the LAC in December after the Probate Advisory Workgroup has met for follow-up on consideration of legislation.

Recommendation 4 was reviewed and agreed to by staff from the Department of the Treasury.

Recommendation 5 was reviewed, discussed, and agreed to by Judicial Branch staff. Further discussion ensued regarding training qualifications required for Public Administrators.

Mr. Johnson provided a review of the Appointment of Public Administrators section of the audit. Further discussion ensued regarding the possibility of instituting a more formal process and uniform requirements for appointing and retaining Public Administrators, and employing best practices.

11:23 a.m. – GENERAL BUSINESS
11:35 a.m.

Approval of Minutes from July 24-25, 2017

A motion was made by Representative Michaelson Jenet and seconded by Representative Nordberg to approve the Minutes from July 24-25, 2017. The motion passed by a vote of 7-0.

Tax Expenditure Reporting Update

Following introductions and opening remarks, Ms. Colin provided a handout entitled *Tax Expenditures Schedule Summary, 5 Year Schedule, Special Project, September 2017*. Kara Trim reviewed the schedule developed by the State Auditor's Team assigned to the tax expenditures project.

Water Well Inspection Program Audit Request

Ms. Bowers provided an overview of the evaluation for a request for an audit related to the Water Well Inspection Program. A motion was made by Representative Michaelson Jenet and seconded by Representative Saine to approve the request for a performance audit of the Water Well Inspection Program. The motion passed by a vote of 7-0.

11:35 a.m. The Committee recessed for lunch.

1:28 p.m. Senator Williams arrived.

1:31 p.m. Representative Ransom arrived to replace Rep. Saine.

**1:31 p.m. –
1:55 p.m.** **Audit of Three Information Technology Systems at the Colorado
Department of Public Health and Environment (Public Report)
Colorado Department of Public Health and Environment
Governor's Office of Information Technology
Performance Audit, August 2017**

A motion was made by Senator Jahn and seconded by Representative Nordberg to release the *Audit of Three Information Technology Systems at the Colorado Department of Public Health and Environment (Public Report), Colorado Department of Public Health and Environment, Governor's Office of Information Technology Performance Audit* (August 2017). The motion passed by a vote of 8-0.

Following introductions and opening remarks by Matt Devlin, Rodney Almarez provided an overview of the audit.

Recommendation 1 was reviewed and partially agreed to by staff from the Governor's Office of Information Technology (OIT).

Recommendation 2 was reviewed and agreed to by OIT staff. Further discussion ensued regarding confidentiality measures in place by OIT to accommodate HIPAA regulations.

Recommendation 3 was reviewed, discussed, and agreed to by staff from the Colorado Department of Health and Environment (CDPHE). Further discussion ensued regarding processes utilized to communicate IT security issues identified in audits to other departments.

1:55 p.m. – Executive Session Pursuant to Sections 24-6-402(3)(a)(IV), C.R.S. and
3:41 p.m. 24-6-402(3)(a)(III), C.R.S.

A motion was made by Representative Nordberg and seconded by Senator Williams to convene an executive session as advised by legal counsel to discuss the *Audit of Three Information Technology Systems at the Colorado Department of Public Health and Environment (Confidential Report)*, Colorado Department of Public Health and Environment, Governor's Office of Information Technology Performance Audit (August 2017); and *Required Communications with Those Charged with Governance Concerning Ongoing Audit Work Required to be Kept Confidential under Section 2-3-103(2)*, C.R.S memo. The motion passed by a vote of 8-0.

3:41 p.m. The Committee recessed for the day.

The LAC was reconvened on September 19, 2017 at 9:00 a.m. in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Neville called the meeting to order. The roll was called with the following result:

PRESENT: Senator Jahn (arrived at 9:03 a.m.), Representative Michaelson Jenet, Senator Neville, Representative Nordberg, Senator Smallwood, Representative Williams, Senator Williams, Representative Winter

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Deputy State Auditor; Michelle Colin, Derek Johnson, Jenny Page, Meghan Westmoreland

ALSO PRESENT: Irv Halter, Alison George, Department of Local Affairs; Shawn Bachtler, Candace Gratama, Kari Peterson, Illuminate Evaluation Services; Chris Underwood, Department of Health Care Policy and Financing; Stephanie Copeland, Mariel Rodriguez-McGill, Colorado Office of Economic Development and International Trade

9:00 a.m. – 10:24 a.m. Evaluation of Fort Lyon Supportive Residential Community: Preliminary Report, August, 2017

A motion was made by Representative Michaelson Jenet and seconded by Representative Nordberg to release the *Evaluation of Fort Lyon Supportive Residential Community: Preliminary Report* (August 2017). The motion passed by a vote of 7-0.

9:03 a.m. Senator Jahn arrived.

Following introductions and opening remarks by Monica Bowers, Dr. Shawn Bachtler, Dr. Candace Gratama, and Dr. Kari Peterson from Illuminate Evaluation Services provided an overview of the report. Further discussion ensued regarding methods utilized to establish and structure goals for the program.

In addition, staff from Illuminate Evaluation Services provided clarification around substance abuse testing regimens, and information utilized for survey results reported. They also discussed benefits of evaluating overall costs of services for a one-to-two year period.

10:18 a.m. The Committee recessed briefly.

10:24 a.m. – GENERAL BUSINESS
11:23 a.m.

Status Report

Following introductions and opening remarks by Ms. Bowers, Derek Johnson provided an overview of the implementation status of recommendations addressed to the Colorado Department of Health Care Policy and Financing (HCPF) in the *Colorado Medicaid: The PEAK Application and Performance Audit* (August 2016).

HCPF staff provided updates made to the implementation dates for Recommendations which have not been fully implemented. The Department is currently on schedule to implement these items by December of 2017.

Colorado Office of Film, Television and Media Discussion Strategic Plan

Following opening remarks by Ms. Bowers, Stephanie Copeland provided an overview of the Colorado Office of Film, Television, and Media (COFTM) Strategic Plan. Further discussion ensued regarding specifics around the possibility of recouping incentives that were awarded to production companies that did not qualify.

In addition, Office of Economic Development and International Trade (OEDIT) staff provided information regarding ways in which incentives are intended to impact public relations for Colorado.

Legislation Discussion

Ms. Bowers provided an overview of two items under consideration for legislative action based upon the *Colorado Office of Film, Television, and Media June, 2017 Performance Audit*:

1. Designate COFTM, rather than production companies, as responsible for hiring CPA's to verify production company data
2. Refine the definition of "in-state" production company certification requirements

In addition, the Committee discussed a third legislative item for consideration in relation to the audit:

3. Create a clawback provision in order to be able to recoup incentives paid to unqualified production companies

Further discussion ensued regarding the possibility of COFTM addressing these items without creating new legislation.

A motion was made by Senator Jahn and seconded by Representative Winter to request draft legislation for the three items in relation to the Colorado Office of Film, Television and Media June, 2017 Performance Audit. The motion passed by a vote of 8-0.

11:23 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearings are October 30, 2017 at 10:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room); and October 31, 2017 in State Capitol Room 271 at 9:00 a.m.

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

October 30-31, 2017

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on October 30, 2017 at 10:00 a.m. in the Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Marble (arrived at 10:03 a.m.), Senator Neville, Representative Nordberg, Representative Saine, Representative Winter (arrived at 10:01 a.m.)

The following Office of the State Auditor (OSA) staff and others were in attendance:

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditors; Kevin Amirehsani, Crystal Dorsey, Nina Frant, Vickie Heller, Heather McFadden, Monica Power, Kate Sabott, James Taurman, Heidi Wagner, Stefanie Winzeler

ALSO PRESENT: Bob Randall, Department of Natural Resources; Bill Ryan, Greg Moffet, Colorado State Board of Land Commissioners; Stephanie Copeland, Jeff Kraft, Office of Economic Development and International Trade; Carrie Schiff, Colorado Economic Development Commission; Robert Jaros, Jeffrey Kahn, Office of the State Controller; Joy Huse, Tom Lipetzky, Department of Agriculture; Melanie Snyder, Jon Reitan, Department of Law; Esther van Mourik, Office of Legislative Legal Services

DIANNE E. RAY, CPA

STATE AUDITOR

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
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80203

303.869.2800

10:00 a.m. – State Land Board
11:04 a.m. Department of Natural Resources
Performance Audit, October 2017

A motion was made by Representative Saine and seconded by Vice Chair Neville to release the *State Land Board, Department of Natural Resources Performance Audit* (October 2017). The motion passed by a vote of 8-0.

Following introductions and opening remarks by Monica Bowers, Kevin Amirehsani, James Taurman, and Heidi Wagner provided an overview of the audit.

Recommendation 1 was reviewed and agreed to by staff from the Colorado State Board of Land Commissioners (State Land Board).

Recommendation 2 was reviewed, discussed, and agreed to by State Land Board staff. In addition, State Land Board explained the use of fiscal impact study models in previous years, and clarified reasons why a fiscal impact study was not used in recent years.

Recommendation 3 was reviewed, discussed, and agreed to by staff from the State Land Board. Further discussion ensued regarding property assessment processes employed to maintain properties and mitigate erosion issues.

Recommendation 4 was reviewed and agreed to by State Land Board staff.

Recommendation 5 was reviewed and agreed to by staff from the State Land Board.

Recommendation 6 was reviewed and agreed to by State Land Board staff.

State Land Board staff addressed questions regarding the possible need to draft legislation in order to provide enhanced clarification and guidance around improving internal controls and determining the fiscal impact of a lease, sale, or exchange of land for development as detailed in Recommendations 1 and 2. The Committee decided to have OSA staff work with the State Land Board to develop ideas to present at the December, 2017 LAC hearing.

11:04 a.m. – GENERAL BUSINESS
11:10 a.m.

Approval of Minutes from September 18-19, 2017

A motion was made by Representative Saine and seconded by Representative Winter to approve the Minutes from September 18-19, 2017. The motion passed by a vote of 8-0.

Proposed 2018 Session Calendar

State Auditor Ray submitted the Proposed 2018 Session Calendar, and noted that there are five LAC hearings proposed for the upcoming session. The calendar will be voted upon at the December 2017 Legislative Audit Committee hearing.

OSA Annual Report

Greg Fugate reviewed the 2017 Office of the State Auditor Annual Report. The Committee requested that OSA staff provide copies of the reports at each upcoming SMART Act hearing.

11:10 a.m. The Committee recessed for lunch.

1:30 p.m. – Regional Tourism Act

**2:54 p.m. Governor’s Office of Economic Development and International Trade
Performance Audit, October 2017**

A motion was made by Representative Nordberg and seconded by Representative Saine to release the *Regional Tourism Act, Governor’s Office of Economic Development and International Trade Performance Audit* (October 2017). The motion passed by a vote of 6-0.

Following introductions and opening remarks by Monica Bowers, Vickie Heller provided an overview of the audit and reviewed Chapter 1.

1:36 p.m. Senator Donovan arrived.

1:43 p.m. Vice Chair Neville arrived.

Chapter 2 of the audit was reviewed. Discussion ensued regarding procedures and criteria utilized to approve applications for tourism projects. Office of Economic Development and International Trade (OEDIT) and Colorado Economic Development Commission (EDC) staff provided further clarification around how statutory requirements are interpreted to evaluate applications, and methods available to remedy situations when an approved project’s focus strays from the initially stated intent.

Recommendation 1 was reviewed and agreed to by staff from OEDIT. In addition, OEDIT provided an update on the status of approved projects, confirming that none are currently operational.

OSA Staff reviewed the Policy Considerations section of the audit. Further discussion ensued regarding possible benefits of enacting legislation to increase accountability for approved projects.

2:54 p.m. – Schedule of TABOR Revenue
3:06 p.m. Fiscal Year 2017
Performance Audit, October 2017

A motion was made by Senator Jahn and seconded by Representative Winter to release the *Schedule of TABOR Revenue, Fiscal Year 2017 Performance Audit* (October 2017). The motion passed by a vote of 8-0.

Following introductions by Kerri Hunter, Monica Power and Heather McFadden provided an overview of the audit.

3:06 p.m. – GENERAL BUSINESS
3:08 p.m.

Status Report

Robert Jaros provided an overview of the implementation status of recommendations addressed to the OSC in the *Schedule of TABOR Revenue, Fiscal Year 2016 Performance Audit* (October 2016). The LAC commended OSC staff for filing their report on time.

3:08 p.m. – Cash Funds Uncommitted Reserves
3:27 p.m. Fiscal Year Ended June 30, 2017
Performance Audit, October 2017

A motion was made by Senator Donovan and seconded by Vice Chair Neville to release the *Cash Funds Uncommitted Reserves, Fiscal Year Ended June 30, 2017 Performance Audit* (October 2017). The motion passed by a vote of 8-0.

Following introductions by Kerri Hunter, Crystal Dorsey provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by Department of Agriculture (CDA) staff. Further discussion ensued regarding the amount of flexibility provided in statute to allow CDA to work within the system to meet all of the needs of the Department.

Recommendation 2 was not discussed.

Recommendation 3 was reviewed and agreed to by Department of Law staff.

3:27 p.m. - GENERAL BUSINESS

4:03 p.m.

Legislation Discussion

Monica Bowers reviewed highlights of Bill Draft LLS NO. 18-0322.01 *Concerning Strengthening the Requirements Necessary to Earn Performance-Based Incentives for Film Production*. Discussion ensued regarding criteria by which companies might be evaluated as in-state status for approval for incentives by the Office of Film, Television, and Media (COFTM). In addition, departmental scope of training and process requirements to include in the bill were considered. The LAC decided to have a bill draft specifically relating to the Office of Film, Television, and Media with the training options presented at the hearing in December.

4:03 p.m. The Committee recessed for the day.

The LAC was reconvened on October 31, 2017 at 9:00 a.m. in Joint Committee Room 271. Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Legislative Audit Committee
Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Marble (arrived at 9:15 a.m.), Senator Neville (arrived at 9:08 a.m.), Representative Nordberg, Representative Saine, Representative Winter

Capital Development Committee
Senator Baumgardner, Representative Becker, Representative Esgar, Representative Hansen, Senator Kefalas, Senator Sonnenberg

Joint Budget Committee
Representative Hamner, Senator Lambert, Senator Lundberg, Senator Moreno, Representative Rankin (arrived at 9:11 a.m.), Representative Young

The following Legislator, Office of the State Auditor (OSA) staff, and others were in attendance:

**OTHER
LEGISLATOR
PRESENT:** Representative Jeni James Arndt

**OSA STAFF
PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Matt Devlin, Kerri Hunter, Deputy State Auditors; Nina Frant, Jenny Page, Kate Shiroff

**ALSO
PRESENT:** Don Brown, Chris Wiseman, Joy Huse, Department of Agriculture; Sarah Cummings, Colorado State Fair Authority; Larry Friedberg, Eric Scholz, Office of the State Architect; June Taylor, Kim Burgess, Department of Personnel and Administration; Sara Wager, Clint Woodruff, Jeremy Hill, Department of Human Services; Robert Jaros, Office of the State Controller

9:00 a.m. – State Fair Discussion
10:17 a.m.

Following opening remarks by Chair Kraft-Tharp and introductions of agency staff by Commissioner Brown, State Architect Larry Friedberg provided an overview of the visioning process developed for the Colorado State Fair.

Committee members were allowed time to ask questions and make comments regarding the current state of the Colorado State Fair (State Fair), and future goals for the program. Members expressed opinions on a wide range of topics including acceptance that the State Fair does not need to be a for-profit enterprise, benefits of utilizing the State Fair to promote agriculture in Colorado, the status of State Fair infrastructure, questions around State Fair funding sources and fundraising efforts, concerns regarding the City and County of Pueblo's role in using State Fair facilities in the off-season, and the need for a cohesive vision and direction for the program.

The Committee decided to form a State Fair Sub-Committee consisting of two members from each participating joint committee to address issues identified in the hearing. Prospective appointees will submit their requests for participation to Chair Kraft-Tharp, or to LAC staff, for consideration for appointment to the committee.

Following adjournment of the State Fair joint committee portion of the hearing, Capital Development Committee members, Joint Budget Committee members, and Senator Donovan and Representative Saine left the hearing.

10:17 a.m. The Committee recessed briefly.

10:22 a.m. – Annual Report: Status of Outstanding Audit Recommendations as of
10:38 a.m. June 30, 2017
Informational Report, October 2017

A motion was made by Representative Winter and seconded by Vice Chair Neville to release the *Annual Report: Status of Outstanding Audit Recommendations as of June 30, 2017 Informational Report* (October 2017). The motion passed by a vote of 6-0. Following introductions and opening remarks by Matt Devlin, Jenny Page provided an overview of the report including an explanation of the report structure.

10:38 a.m. – GENERAL BUSINESS

10:58 a.m.

Annual Compensation Study, Department of Personnel and Administration Update

Nina Frant reviewed the *Performance Audit of the Department of Personnel & Administration's Annual Compensation Study* (May 2016). Department of Personnel and Administration (DPA) staff addressed questions resulting from the study. Further discussion ensued regarding criteria utilized to identify data to collect, and methods used to review survey data for accuracy.

Status Report

Contracting for Services – Selection Process, Department of Human Services
Performance Audit, August 2016

Following an overview by Kate Shiroff of recommendations addressed in the *Contracting for Services – Selection Process, Department of Human Services Performance Audit* (August 2016), Department of Human Services (DHS) staff provided an update on recommendations addressed to DHS in the audit, reporting that all have been implemented. In addition, Robert Jaros reported that the status of the recommendation addressed to DPA is implemented and ongoing.

State Fair Committee Appointees

Chair Kraft-Tharp reminded Committee members that the LAC is seeking two appointees from the LAC to serve on a State Fair Committee to discuss issues addressed in the hearing.

11:23 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearings are December 4, 2017 at 10:00 a.m.; and December 5, 2017 at 9:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



DIANNE E. RAY, CPA
—
STATE AUDITOR

Legislative Audit Committee

December 4-5, 2017

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on December 4, 2017 at 10:00 a.m. in the Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Saine, Senator Smallwood, Representative Winter (arrived at 10:07 a.m.)

The following Office of the State Auditor (OSA) staff and others were in attendance:

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditors; Madeline Beasley, Dana Berry, Bryan Brune, Crystal Dorsey, Gina Faulkner, Greg Fugate, Christopher Harless, Vickie Heller, Jenny Page, Amber Spencer, Pooja Tulsian

ALSO PRESENT: David Spellman, Corey Hoffman, City of Blackhawk; Kathryn Heider, Daniel R. Miera, Marcus McAskin, City of Central City; Ray DuBois, Paul Harris, Renee Mueller, City of Cripple Creek; Karla Willschau, Wall, Smith, Bateman, Inc.; Gregory Salsbury, Brad Baca, Western State Colorado University; Beverlee McClure, Heather Heersink, Adams State University; Steven Hovland, Nathan Fyock, Dalby, Wendland & Co., P.C.; Chris Castilian, Great Outdoors Colorado; Jason Brinkley, Jacy Rock, Great Outdoors Colorado Board of Trustees; Michael Hartman, Department of Revenue; Michael Weatherwax, Colorado Lottery Commission; Brandon Reese, Colorado Lottery Division; Kim K. Higgins, Jeff Burch, Paul Kane, Eide Bailly LLP;

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80203

303.869.2800

ALSO PRESENT: Kellie Wasko, Renae Jordan, Jill Lampela, Travis Trani, Department of
(cont.) Corrections; William Chumley, Governor's Office of Information
Technology

10:01 a.m. – Gaming Cities' Use of State Historical Fund Distributions
11:37 a.m. Cities of Black Hawk, Central City, and Cripple Creek
Performance Audit, November 2017

A motion was made by Representative Saine and seconded by Vice Chair Neville to release the *Gaming Cities' Use of State Historical Fund Distributions, Cities of Black Hawk, Central City, and Cripple Creek Performance Audit*, (November 2017). The motion passed by a vote of 7-0.

Following opening remarks and introductions by Monica Bowers and representatives from the cities of Black Hawk, Central City, and Cripple Creek; Amber Spencer, Chris Harless, and Dana Berry provided an overview of the audit.

Discussion ensued regarding whether to incorporate a broad, or narrow definition of historic preservation and restoration of the cities in evaluation of how cities should expend historic preservation funds. The Committee slated this issue to be discussed during the "Legislation" section of the continuation of the LAC hearing on December 5, 2017.

Recommendation 1 was reviewed, discussed, and agreed to by the City of Black Hawk (Black Hawk). Further discussion ensued regarding whether "holistic" standards are met with historic preservation grant funds Black Hawk awards to homeowners for rehabilitation, and how decisions to award grants are evaluated and monitored.

Recommendation 2 was reviewed, discussed, and agreed to by the City of Central City.

11:37 a.m. – GENERAL BUSINESS
11:40 a.m.

Approval of Minutes from October 30-31, 2017

A motion was made by Representative Saine and seconded by Senator Donovan to approve the Minutes from October 30-31, 2017. The motion passed by a vote of 8-0.

Legislative Audit Committee - 2018 Session Calendar

State Auditor Ray reviewed the revised proposed Legislative Audit Committee 2018 Session Calendar. A motion was made by Representative Nordberg and seconded by Representative Winter to approve the Legislative Audit Committee 2018 Session Calendar. The motion passed by a vote of 8-0.

Higher Education Enterprise

Following opening remarks by Kerri Hunter, Crystal Dorsey provided an overview of the final enterprise status for Fiscal Year 2017, and projected TABOR enterprise status for Fiscal Year 2018.

11:40 a.m. The Committee recessed for lunch.

1:30 p.m. – Adams State University

2:03 p.m. Financial and Compliance Audit

Fiscal Years Ended June 30, 2017 and 2016

A motion was made by Vice Chair Neville and seconded by Senator Donovan to release the *Adams State University Financial and Compliance Audit, Fiscal Years Ended June 30, 2017 and 2016*. The motion passed by a vote of 8-0.

Following introductions and opening remarks by Kerri Hunter, Karla Willschau provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by Adams State University (Adams State). Further discussion ensued regarding the student enrollment-to-teacher ratio targeted by Adams State, and specifics of student enrollment in the University's Agriculture programs.

Recommendation 2 was reviewed, discussed, and agreed to by Adams State.

2:03 p.m. – Status Report

2:13 p.m. Performance Evaluation of Adams State University, February 2017

Following an overview by Greg Fugate of recommendations addressed in the *Performance Evaluation of Adams State University* (February 2017), Dr. McClure reviewed updates on recommendations addressed to Adams State in the evaluation. Additional clarification was provided around specifics of reasons for the reported decline in enrollment, and the methods utilized to identify the metric for targeted graduation rates. Further details were provided regarding programs offered by Adams State to offer trade/vocational, non-transfer programs at the University.

2:13 p.m. – Western State Colorado University
2:32 p.m. Financial and Compliance Audit
Fiscal Years Ended June 30, 2017 and 2016

A motion was made by Senator Donovan and seconded by Senator Jahn to release the *Western State Colorado University Financial and Compliance Audit, Fiscal Years Ended June 30, 2017 and 2016*. The motion passed by a vote of 8-0.

Following introductions and opening remarks by Kerri Hunter, Steven Hovland provided an overview of the audit, and Nathan Fyock reviewed the financial statements.

2:32 p.m. – Status Report
2:35 p.m. Performance Evaluation of Western State Colorado University, February 2017

Greg Fugate provided a brief overview of the *Performance Evaluation of Western State Colorado University* (February 2017) status report.

2:35 p.m. – State Board of the Great Outdoors Colorado Trust Fund
2:51 p.m. Financial and Compliance Audit
For the Years June 30, 2017 and 2016

A motion was made by Representative Saine and seconded by Representative Nordberg to release the *State Board of the Great Outdoors Colorado Trust Fund Financial and Compliance Audit for the Years June 30, 2017 and 2016*. The motion passed by a vote of 8-0.

Following introductions and opening remarks by Kerri Hunter, Kim K. Higgins provided an overview of the audit.

2:51 p.m. – Colorado Lottery
3:08 p.m. Financial and Compliance Audit
June 30, 2017 and 2016

A motion was made by Representative Saine and seconded by Senator Neville to release the *Colorado Lottery Financial and Compliance Audit, June 30, 2017 and 2016*. The motion passed by a vote of 8-0.

Following introductions and opening remarks by Kerri Hunter, Kim K. Higgins provided an overview of the audit.

3:08 p.m. The Committee recessed briefly.

GENERAL BUSINESS

3:11 p.m. – Status Report

3:46 p.m. Department of Corrections – Behavioral Health Programs Performance Audit, November 2016

Vickie Heller provided an overview of the *Department of Corrections – Behavioral Health Programs Performance Audit* (November 2016). Further discussion ensued regarding reasons that Recommendation 5D from the audit is listed as “Not Implemented” and is beyond the implementation date in the status report; and reasons why several recommendations are listed as “Partially Implemented” with no implementation date. The Department of Corrections (DOC) reported that there have been issues with implementing an electronic health record system that have extended out the implementation dates. DOC agreed to update implementation dates on Recommendations where they are not included by the time of the impending Judiciary SMART Act Hearing.

3:46 p.m. The Committee recessed for the day.

The LAC was reconvened on December 5, 2017 at 9:00 a.m. in the Legislative Services Building, Hearing Room B (Audit Hearing Room). The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kennedy, Representative Kraft-Tharp, Senator Neville (arrived at 9:02 a.m.), Representative Nordberg, Representative Saine (arrived at 9:02 a.m.), Senator Smallwood

The following Office of the State Auditor (OSA) staff and others were in attendance:

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditors; Nina Frant, Jenny Page, Kate Shiroff

ALSO PRESENT: Larry Wolk, Martha Rudolph, Garry Kaufman, Colorado Department of Public Health and Environment; Rob Klausmeier, de la Torre Consulting, Inc.; Jeremy Heiken, Oak Leaf Environmental; Stephanie Copeland, Governor's Office of Economic Development and International Trade; Christopher Ryan, State Court Administrator's Office; Bill Ryan, Colorado State Board of Land Commissioners; Ginny Brown, Department of Regulatory Affairs; Robert Jaros, Office of the State Controller

9:00 a.m. – **Automobile Inspection and Readjustment Program**
10:03 a.m. **Department of Public Health and Environment**
Performance Evaluation, November 2017

A motion was made by Representative Nordberg and seconded by Senator Donovan to release the *Automobile Inspection and Readjustment Program, Department of Public Health and Environment Performance Evaluation* (November 2017). The motion passed by a vote of 6-0.

Following opening remarks and introductions by Monica Bowers, Rob Klausmeier and Jeremy Heiken provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by staff from the Colorado Department of Public Health and Environment. Further discussion ensued regarding the increase in costs estimated to be incurred by the recommended methods of testing, and the level of accuracy of the testing.

10:03 a.m. –

11:44 a.m. GENERAL BUSINESS

Colorado Office of Film, Television and Media Bill Draft

Monica Bowers reviewed the Colorado Office of Film, Television and Media Bill Draft. LLS NO. 18-0322.01 *Legislation Resulting from the Office of Film, Television, and Media Performance Audit Concerning the Issuance of Performance-Based Incentives for Film Production Activities in the State*. Stephanie Copeland provided information regarding Colorado Office of Film, Television, and Media's perspective on proposed changes in the bill draft. A modified bill draft will be brought back to the January 16, 2018 hearing.

Possible Legislation Related to the Economic Development Commission

Ms. Bowers reviewed possible legislation items related to the Economic Development Commission. OSA staff will bring a bill draft to the January 16, 2018 LAC.

Public Administrators Audit Update

Michelle Colin provided an overview of issues identified in the *Public Administrators Performance Audit* (September 2017), and the possible need for legislation. Christopher Ryan updated the Committee on the discussion pertaining to audit recommendations by the Probate Advisory Workgroup (Workgroup) within the Judicial Branch, which met on October 26, 2017. Mr. Ryan agreed to work with the Committee on identifying possible conflicts of interest issues, as requested by Sen. Neville.

Research Request for Possible State Land Board Legislation

Nina Frant provided an overview of initial research conducted regarding possible State Land Board legislation to address issues identified in the *State Land Board Performance Audit* (October 2017). State Land board will obtain legal guidance from the Attorney General's office in relation to how to address these issues before the Committee considers moving ahead with legislation at the June 2018 LAC hearing.

Legislation Regarding Conservation Easement Tax Credit Program

Jenny Page reviewed the status of possible legislation relating to the Conservation Easement Tax Credit Program in relation to completion of the program's sunset review. Ginny Brown provided clarification regarding the status of the sunset items. The Committee formed a sub-committee to monitor any Conservation Easement Tax Credit Program sunset bills submitted in the 2018 session to determine what issues the legislation includes to evaluate whether or not to add amendments to bills submitted. The sub-committee will update the LAC regarding the status of these bills at future hearings.

Historic Preservation Funds

The Committee discussed the possibility of drafting legislation to narrow the definition of how Historic Preservation funds can be utilized in the cities of Black Hawk, Central City, and Cripple Creek. The Committee decided to take no further action regarding legislation at this time.

Status Report

Commuting Use of State-Owned Vehicles Performance Audit, December 2016

Nina Frant provided an overview of the *Commuting Use of State-Owned Vehicles Performance Audit* (December 2016). Robert Jaros reviewed the status report and provided clarification around actions that will be taken if the Office of the State Controller cannot reach agreement with Departments around how to remedy the issues identified.

January 2018 Election of Vice Chair

State Auditor Ray provided an overview of *LAC Rule II. Election of Officers – Duties*, and the process that will be implemented to elect a new Legislative Audit Committee Vice Chair at the January 16, 2018 hearing.

Reports Released without a Hearing

A motion was made by Representative Kennedy and seconded by Representative Nordberg to release:

- CollegeInvest College Savings Program Funds; Financial Statements and Independent Auditor's Reports; Financial Audit, Years Ended June 30, 2017 and 2016; Compliance Audit, Year Ended June 30, 2017
- Colorado Community College System; Financial Statements and Independent Auditor's Reports; Financial Audit Years Ended June 30, 2017 and 2016; Compliance Audit, Year Ended June 30, 2017
- Colorado Mesa University; Financial and Compliance Audit; Fiscal Years Ended June 30, 2017 and 2016
- Colorado School of Mines; Financial Statements and Independent Auditor's Reports; Financial Audit, Years Ended June 30, 2017 and 2016; Compliance Audit, Year Ended June 30, 2017
- Colorado State University – Global Campus (A University within the Colorado State University System); Financial Statements and Independent Auditor's Reports; Financial Audit, Years Ended June 30, 2017 and 2016
- Colorado State University System; Financial Statements and Independent Auditor's Reports; Financial Audit, Years Ended June 30, 2017 and 2016; Compliance Audit, Year Ended June 30, 2017

- Colorado Student Loan Program, dba College Assist, Department of Higher Education, State of Colorado, Denver, Colorado; Financial and Compliance Audits, Fiscal Years Ended June 30, 2017 and 2016
- Division of Gaming, Department of Revenue, State of Colorado; Financial Statements, Independent Auditors' Report and Supplementary Information; Years Ended June 30, 2017 and 2016
- Fort Lewis College; Financial and Compliance Audit; Fiscal Year Ended June 30, 2017 and 2016
- Legislative Department, State of Colorado; Compliance Audit, Financial Statements, and Report of Independent Certified Public Accountants; For the Years Ended June 30, 2017 and 2016
- Metropolitan State University of Denver; Financial and Compliance Audit; Years Ended June 30, 2017 and 2016
- University of Colorado; Financial and Compliance Audit; June 30, 2017 and 2016
- University of Northern Colorado; Financial and Compliance Audit; Years Ended June 30, 2017 and 2016

Kerri Hunter provided a brief overview of the reports.

11:44 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is January 16, 2018 at 7:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by:	Marcie Jacobs
	Executive Assistant to the State Auditor
	Office of the State Auditor