



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

January 16, 2018

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on January 16, 2018 at 7:03 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, Representative Kraft-Tharp, Representative Leonard, Senator Neville, Representative Saine, Senator Smallwood, Senator Todd, Representative Winter

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

**OTHER
LEGISLATOR
PRESENT** Senator Cheri Jahn

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

**ALSO
PRESENT:** Stephanie Copeland, Jeff Kraft, Governor's Office of Economic Development and International Trade; Christopher Ryan, State Court Administrator's Office; Dan Nordberg, Small Business Administration

DIANNE E. RAY, CPA

STATE AUDITOR

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

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7:03 a.m. –
8:04 a.m. GENERAL BUSINESS

Chair Recognition

Chair Neville presented a recognition award to Representative Kraft-Tharp for her service as Chair of the LAC from January 2017 to December 2017. Representative Kraft-Tharp expressed her appreciation for the Committee’s work, and made note of two items she would like the Committee to continue to address – creating a strategic plan for the Colorado State Fair, and developing quality assurance and financial control systems in the Colorado Executive Branch.

Election of Vice Chair

A motion was made by Representative Kraft-Tharp and seconded by Representative Winter to nominate Senator Donovan as Vice Chair of the Legislative Audit Committee. The vote passed by a vote of 8-0.

Approval of Minutes from January 16, 2018

A motion was made by Representative Saine and seconded by Vice Chair Donovan to approve the Minutes from January 16, 2018. The motion passed by a vote of 8-0.

Colorado Office of Economic Development and International Trade, Enterprise Zone Annual Report, State Fiscal Year 2017

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 2017. Further discussion ensued regarding clarification of the process by which Enterprise Zone credits are certified.

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.*

A motion was made by Representative Kraft-Tharp and seconded by Senator Todd to approve Bill Draft LLS NO. 18-0322.01 to be put on bill paper. The motion passed by a vote of 8-0.

The Bill will start in the Senate.

Sponsors:

Senators Smallwood and Todd
Representatives Kraft-Tharp and Leonard

Co-Sponsors:

Representative Winter
Senator Donovan

Best Practices for State Boards and Commissions Bill Draft

Monica Bowers provided an overview of Bill Draft LLS NO. 18-0739.01 *Concerning the Establishment of Best Practices for State Boards and Commissions*. Further discussion ensued regarding the possibility of incorporating input from the Governor's Office of Boards and Commissions into the content. A revised bill draft will be reviewed at the next LAC hearing after staff have consulted with the Governor's Office of Boards and Commissions regarding elements of the proposed legislation.

Public Administrators Legislation Discussion

Michelle Colin reviewed recommended legislative changes resulting from the *Public Administrators Performance Audit* (September 2017). Christopher Ryan provided an update on proposed statutory changes to address recommendations in the audit report approved by the Probate Advisory Workgroup at the December 15, 2017 workgroup meeting.

Further discussion ensued regarding measures currently in place to address conflicts of interest within the system, and specifics around bonds required for Public Administrators. LAC members also discussed the need to incorporate stakeholder feedback in the legislation process. A motion was made by Representative Winter and seconded by Representative Saine to request a bill draft. The motion passed by a vote of 8-0.

7:55 a.m. The Committee recessed briefly.

Recognition of Departing Legislative Audit Committee Members

Senator Cheri Jahn was recognized for her three years of service on the Legislative Audit Committee, and former-Representative Dan Nordberg was recognized for his five years of service on the Committee.

Reports Released without a Hearing

A motion was made by Representative Kraft-Tharp and seconded by Senator Todd to release:

- Colorado Department of Transportation's Bridge Enterprise; Financial Statements and Independent Auditor's Reports; Financial Audit Years Ended June 30, 2017 and 2016; Compliance Audit Year Ended June 30, 2017
- Colorado High Performance Transportation Enterprise; Financial Statements and Independent Auditor's Reports; Financial Audit, Years Ended June 30, 2017 and 2016; Compliance Audit Year Ended June 30, 2017
- Colorado Office of the State Auditor, Colorado Tourism Office; Agreed-Upon Procedures Report; Fiscal Year Ended June 30, 2017
- Colorado State University; Independent Accountant's Report on the Application of Agreed-upon Procedures (NCAA Procedures); Year Ended June 30, 2017
- State of Colorado, University of Northern Colorado; Independent Accountants' Report on Application of Agreed-Upon Procedures; Year Ended June 30, 2017
- University of Colorado at Boulder, Department of Intercollegiate Athletics; Independent Accountants' Report on Applying National Collegiate Athletic Association Agreed-Upon Procedures

Kerri Hunter provided a brief overview of the reports.

8:04 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is January 30, 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



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

January 30, 2018

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on January 30, 2018 at 7:00 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 Donovan, Representative Kraft-Tharp, Representative Leonard, Senator Neville, Representative Saine, Senator Smallwood (arrived at 7:02), Senator Todd, 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, Kerri Hunter, Deputy State Auditors; Michelle Colin, Scott Reid

ALSO PRESENT: Chris Wiseman (retired), Joy Huse, Department of Agriculture; Lea Cassidy, Colorado State Fair Authority; Kimberly Temple, Wall, Smith, Bateman, Inc.; Christopher Ryan, State Court Administrator's Office

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7:02 a.m. – **Colorado State Fair Authority**
8:08 a.m. **Financial and Compliance Audit**
Fiscal Years Ended June 30, 2017 and 2016

A motion was made by Representative Saine and seconded by Vice Chair Donovan to release the *Colorado State Fair Authority Financial and Compliance Audit, Fiscal Years Ended June 30, 2017 and 2016*. The motion passed by a vote of 8-0.

Following opening remarks and introductions by Kerri Hunter and representatives from the Department of Agriculture, Kimberly Temple provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by Department of Agriculture staff. Further discussion ensued regarding the current financial and infrastructure status of the Colorado State Fair. Clarification was provided regarding specifics of revenue and expenses reported in the audit, and the role and qualifications of the recently hired program sponsorship manager. The Committee agreed that information from the audit will be beneficial to the State Fair Subcommittee's upcoming work.

8:08 a.m. – GENERAL BUSINESS
8:51 a.m.

Approval of Minutes from January 16, 2018

A motion was made by Senator Smallwood and seconded by Representative Winter to approve the Minutes from January 16, 2018. The motion passed by a vote of 8-0.

Public Administrators Bill Draft

Michelle Colin reviewed the revised Bill Draft LLS NO. 18-0884.01 *Legislation Resulting from the Public Administrators Performance Audit Concerning Requirements for Public Administrators*. Christopher Ryan provided an update on stakeholder input incorporated into the draft, and clarification regarding fee structures and bond requirements.

A motion was made by Representative Leonard and seconded by Representative Saine to strike the change made on line 6, page 2 to retain the bond requirement at twenty-five thousand. The motion failed on a split vote of 4-4.

A motion was made by Representative Winter and seconded by Vice Chair Donovan to move Bill Draft LLS NO. 18-0884.01 to Bill Paper. The motion passed by a vote of 8-0.

The Bill will start in the Senate.

Sponsors:

Senators Neville and Todd
Representatives Saine and Winter

Co-Sponsors:

Representative Kraft-Tharp

Senators Donovan and Smallwood

Best Practices for State Boards and Commissions Bill Draft

Monica Bowers reviewed the Bill Draft LLS NO. 18-0739.01, *Concerning the Establishment of Best Practices for State Boards and Commissions*. A motion was made by Vice Chair Donovan and seconded by Representative Saine to move Bill Draft LLS NO. 18-0739.01 to Bill Paper. The motion passed by a vote of 8-0.

The Bill will start in the House.

Sponsors:

Representatives Saine and Kraft-Tharp
Senators Donovan and Smallwood

Co-Sponsors:

Representatives Leonard and Winter
Senators Neville and Todd

Fiscal Year 2019 Office of the State Auditor Proposed Budget

State Auditor Ray provided an overview of the Fiscal Year 2019 OSA proposed budget including information relating to the June 2017 salary survey and requested salary increases.

A motion was made by Senator Todd and seconded by Representative Winter 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.

Reports Released without a Hearing

Kerri Hunter provided a brief overview of the following reports:

- 2017 School Capital Construction Annual Reporting by the Colorado Department of Education
- Auraria Higher Education Center Financial and Compliance Audit, Fiscal Years ended Jun 30, 2017 and 2016 (With Independent Auditors' Report Thereon)
- Colorado Veterans Community Living Center at Homelake, Financial Statements with Independent Auditors' Reports, Year ended June 30, 2017

8:51 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is February 27, 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



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

February 1, 2018

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on February 1, 2018 at 8:50 a.m. in Senate Committee Room 354 in the State Capitol. Chair Neville called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Representative Kraft-Tharp, Representative Leonard, Senator Neville, Senator Smallwood, Senator Todd

EXCUSED: Representative Saine, Representative Winter

The following Office of the State Auditor (OSA) staff was:

OSA STAFF Dianne E. Ray, State Auditor

PRESENT:

Reports Released without a Hearing

A motion was made by Senator Todd and seconded by Senator Smallwood to release:

- 2017 School Capital Construction Annual Reporting by the Colorado Department of Education
- Auraria Higher Education Center Financial and Compliance Audit, Fiscal Years ended Jun 30, 2017 and 2016 (With Independent Auditors' Report Thereon)
- Colorado Veterans Community Living Center at Homelake, Financial Statements with Independent Auditors' Reports, Year ended June 30, 2017

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8:51 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is February 27, 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



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

February 27, 2018

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on February 27, 2018 at 7:00 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 Donovan, Representative Kennedy, Representative Kraft-Tharp, Representative Leonard, Senator Neville, Representative Saine, Senator Smallwood, Senator Todd (arrived at 7:02)

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, Matt Devlin, Deputy State Auditors; Crystal Dorsey, Marisa Edwards, Cindi Radke, Managing Legislative Auditors

ALSO PRESENT: Robert Jaros, State Controller; Jeffrey Kahn, Director of Financial Reporting & Analysis; Romaine Pacheco, Director Governor's Office of Boards and Commissions; Jeffrey Riester, Legislative Liaison

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7:00 a.m. – **State of Colorado**
8:35 a.m. **Statewide Single Audit**
Fiscal Year Ended June 30, 2017

A motion was made by Representative Kraft-Tharp and seconded by Vice Chair Donovan to release the State of Colorado Statewide Single Audit, Fiscal Year Ended June 30, 2017. The motion passed by a vote of 8-0.

Following opening remarks and introductions by Kerri Hunter and Crystal Dorsey, the State Controller, Robert Jaros, provided an overview of the Comprehensive Annual Financial Report.

Recommendation 2017-032 was reviewed, discussed, and agreed to by the State Controller.

Recommendation 2017-033 was reviewed, discussed, and agreed to by the State Controller. Further discussion ensued on manual processing and reconciliations.

Recommendation 2017-034 was reviewed, discussed, and agreed to by the State Controller. Further discussion ensued on departments that are not complying with the State Controller's requirements.

Recommendation 2017-035 was reviewed, discussed, and agreed to by the State Controller. Further discussion ensued on what it will take to close the State books in accordance with Statutory requirements.

Recommendation 2017-036 was reviewed, discussed, and agreed to by the State Controller. Further discussion ensued on additional costs to meet security requirements.

8:35 a.m. - GENERAL BUSINESS
8:58 a.m.

Approval of Minutes from January 30, 2018

A motion was made by the Vice Chair and seconded by Representative Kennedy to approve the Minutes from January 30, 2018. The motion passed by a vote of 8-0.

Approval of Minutes from January 30, 2018

A motion was made by the Senator Todd and seconded by Representative Leonard to approve the Minutes from February 1, 2018. The motion passed by a vote of 8-0.

Legislation

Following opening remarks and introductions by Romaine Pacheco, Director, Governor's Office of Boards and Commissions, discussion ensued regarding a fiscal note on HB18-1198.

Reports Released without a Hearing

A motion was made by Representative Saine and seconded by Representative Leonard to approve the Reports Released without a hearing. The vote passed by a vote of 8-0.

Kerri Hunter provided a brief overview of the following report:

- 2017 Annual Report from the Colorado Educational and Cultural Facilities Authority on the Moral Obligation Bond Program.

8:58 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is March 6, 2018 at 7:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by:

Susan E. Abeyta
Executive Assistant to the State Auditor
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

March 6, 2018

Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on March 6, 2018 at 7:00 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 Donovan (arrived 7:06), Representative Winter, Representative Kraft-Tharp, Representative Leonard, Senator Neville, Representative Saine, Senator Smallwood (arrived 7:10), Senator Todd

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

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Kerri Hunter, Deputy State Auditor; Shelli Josefowicz, Legislative Auditor; Pooja Tulsian, Managing Legislative Auditor

ALSO PRESENT: Jennifer Bennett, Lenny Merriam, Deb Goheen, Department of Corrections; Sara Kurtz, Paul Kane, EideBailly, LLP; Kim Bimestefer, John Bartholomew, Chris Underwood, Greg Tanner, Department of Health Care Policy & Financing

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7:00 a.m. – State of Colorado
9:00 a.m. Statewide Single Audit
Fiscal Year Ended June 30, 2017

Department of Corrections

Following opening remarks and introductions by Kerri Hunter, Sara Kurtz, provided an overview of the Statewide Single Audit, Department of Corrections.

Wild Horse and Burro Resource Management

Recommendations 2017-049,-050,-051,-052 were reviewed, discussed, and agreed to by the Department.

Discussion ensued regarding the grant program, horses and burros in the program, adoption of horses and working with the Bureau of Land Management.

Inventory Adjustments

Recommendation 2017-002 was reviewed, discussed and agreed to by the Department.

Discussion ensued regarding staff transition and training.

Department of Health Care Policy and Financing

Following opening remarks and introductions by Kerri Hunter and Ms. Bimestefer, Ms. Tulsian provided an overview of the Department of Health Care Policy and Financing.

Recommendations 2017-18,-054,-055,-056 were reviewed, discussed, and agreed to by the Department.

Discussion ensued regarding GASB 51, the scope of the problem determining eligibility and implementation dates.

9:01 a.m. - GENERAL BUSINESS

9:03 a.m.

Approval of Minutes from March 6, 2018

A motion was made by the Senator Smallwood and seconded by Senator Todd to approve the Minutes from March 6, 2018. The motion passed by a vote of 8-0.

Report Released without a Hearing

A motion was made by Senator Smallwood and seconded by Representative Kraft-Tharp to approve the Report Released without a hearing. The vote passed by a vote of 8-0.

Kerri Hunter provided a brief overview of the following report:

- The Statement of Federal Land Payments for Federal Fiscal Year Ended September 30, 2017.

9:03 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearing is March 20, 2018 at 7:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by:

Susan E. Abeyta
Executive Assistant to the State Auditor
Office of the State Auditor

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OFFICE OF THE STATE AUDITOR



Legislative Audit Committee June 25-26, 2018 Minutes

Day 1 – June 25, 2018

The Legislative Audit Committee (LAC) hearing convened at 11:01 a.m. in Hearing Room B of the Legislative Services Building. Chair Neville called the meeting to order and roll was taken with the following result:

Committee Members

Senator Rhonda Fields
Representative Tracy Kraft-Tharp
Representative Timothy Leonard (arrived at 11:03 a.m.)
Senator Tim Neville, Chair
Representative Lori Saine
Senator Jim Smallwood
Senator Nancy Todd, Vice Chair
Representative Faith Winter (arrived at 1:30 p.m.)

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

Office of the State Auditor

Dianne E. Ray, State Auditor
Monica Bowers, Deputy State Auditor
Matt Devlin, Deputy State Auditor

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Nina Frant
Greg Fugate
Kathryn Kornacki
Cindi Radke
James Taurman

Other Attendees

Lieutenant Governor's Office

David Padrino

Office of Information Technology

Suma Nallapati

Greg Williams

Department of Human Services

Reggie Bicha

Mette Boes

Department of Labor and Employment

Kristin Corash

Department of Personnel & Administration

June Taylor

Department of Public Health and Environment

Dr. Larry Wolk

Department of Revenue

Michael Hartman

Donia Amick

Limited Gaming Control Commission

Roger Hutson

Election of New Vice Chair

A motion was made by Senator Smallwood and seconded by Representative Saine to nominate Senator Todd as Vice Chair of the Legislative Audit Committee. The motion passed by a vote of 6-0.

11:04 a.m.

**Department of Revenue, Division of Gaming Administrative Expenses
June 2018, Performance Audit #1755P**

Senator Smallwood made a motion to release the Department of Revenue, Division of Gaming Administrative Expenses, June 2018, Performance Audit. Representative Saine seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Monica Bowers, James Taurman provided an overview of the performance audit.

- Recommendation #1 and five subparts were reviewed, discussed, and agreed to by the Colorado Limited Gaming Control Commission to align budget requests as required by regulation and policy.
- Recommendation #2 and two subparts were also reviewed, discussed, and agreed to by the Colorado Limited Gaming Control Commission and the Division of Gaming to monitor interagency agreements by adding reviews, include amendments, and approve changes to new agreements.

11:40 a.m.: Representative Kraft-Tharp left the room and returned at 11:44 a.m.

11:52 a.m.: Representative Saine left the room and returned at 11:56 a.m.

Noon

Minutes

Senator Todd made a motion to approve the March 20, 2018, LAC hearing minutes and Representative Saine seconded the motion. The motion passed unanimously.

12:01 p.m.

Peer Review Report

Greg Fugate presented the external peer review report of the Office of the State Auditor that received a “pass” rating, the highest rating.

12:04 p.m.: **Recess**

1:30 p.m.

IT Panel Discussion

A panel of four Executive Directors, the OIT Secretary, and a representative from the Lieutenant Governor's Office convened for a discussion of IT recommendations and common issues across departments. The discussion covered account management of systems, user access levels/permissions, audit logging, IT assistance, security controls, configuration process, backups, vendor management, cybersecurity, and challenges with requirements to complete multiple action forms per single user. The Lieutenant Governor's Office is committed to raise these issues at their monthly meetings with the Cabinet.

2:03 p.m.: Senator Smallwood left the room and returned at 2:07 p.m.

2:30 p.m.: Representative Leonard left the room and returned at 2:32 p.m.

2:37 p.m.

Status Report

Audit of Three Information Technology Systems at the Colorado Department of Public Health and Environment (public report), August 2017, Performance Audit #1676P

Following introductions, Matt Devlin provided a brief overview of the performance audit recommendations. Dr. Wolk touched on the improvements in IT security and the ongoing process to implement all seven recommendations. Secretary Nallapati provided details on the first three recommendations already implemented.

2:48 p.m.

Executive Session – Pursuant to Section 24-6-402(3)(a)(IV), C.R.S.

Senator Todd made a motion to convene an Executive Session as advised by legal counsel in accordance with Section 24-6-402(3)(a)(IV), C.R.S. to review the status report of the Audit of Three Information Technology Systems at the Colorado Department of Public Health and Environment (confidential report), August 2017, Performance Audit. Representative Winter seconded the motion and it passed unanimously.

3:16 p.m.: **Recess**

Day 2 – June 26, 2018

9:05 a.m.

The LAC reconvened in Hearing Room B of the Legislative Services Building. Chair Neville called the meeting to order and roll was taken with the following result:

Committee Members

Senator Rhonda Fields
Representative Tracy Kraft-Tharp
Representative Timothy Leonard
Representative Michaelson-Jenet
(replacement for Representative Faith Winter; arrived at 9:10 a.m.)
Senator Tim Neville, Chair
Representative Lori Saine
Senator Jim Smallwood
Senator Nancy Todd, Vice Chair

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

Office of the State Auditor

Dianne E. Ray, State Auditor
Monica Bowers, Deputy State Auditor
Jenny Page
Carleen Armstrong
Trey Standley
Jenny Atchley

Other Attendees

Department of Corrections

Deb Goheen
Lenny Merriam
David Lindsay
Kristina Ireland

Sjoberg Evashenk Consulting, Inc.

George J. Skiles

Connect for Health

Kevin Patterson
Brian Braun

Great Outdoors Colorado

Jason Brinkley
Chris Castilian

Colorado Parks and Wildlife

Bob Broscheid

9:06 a.m.

**Department of Corrections, Inmate Canteen and Banking Programs
June 2018, Performance Audit #1679P**

Senator Todd made a motion to release the Department of Corrections, Inmate Canteen and Banking Programs, June 2018, Performance Audit. Representative Saine seconded the motion and the motion passed unanimously.

Following opening remarks by Monica Bowers and the Department's introductions, George Skiles provided an overview of the performance audit report. Discussion ensued as follows:

- Recommendation #1 and both subparts were reviewed, discussed, and agreed to by DOC to improve Canteen price-setting practices
- Recommendation #2 and both subparts were reviewed, discussed, and agreed to by DOC improve procurement practices
- Recommendation #3 was reviewed, discussed, and agreed to by DOC to ensure compliance with statutory requirements and develop policy to account for the Canteen's use of funds.

9:47 a.m.: Representative Saine left the room and returned at 9:49 a.m.

Status Reports

10:10 a.m.

- **Department of Corrections – Wild Horse and Burro Resource Management Program (part of Statewide Single Audit, Fiscal Year Ended June 30, 2017 (#1701F))**

Following a brief overview of the audit report, Ms. Goheen provided a status update. The Department's new contract with the Bureau of Land Management that recently released grant funds to help facilitate completion of the program review. The Department implemented ten out of 13 recommendations. The remaining three recommendations are partially implemented and are scheduled for completion in June 2018.

10:18 a.m.

- **Colorado Health Insurance Benefits Exchange – Connect for Health Colorado, June 2017, Performance Audit #1675P**

Following introductions and a brief overview of the audit report, Mr. Patterson provided an update to the recommendations. The Department has updated their policies and procedures, and implemented better contract management and training processes. They also improved website tools to manage complaints and appeals.

10:26 a.m.

- **Colorado Parks and Wildlife (CPW), Great Outdoors Colorado (GOCO) – Investments in Colorado's Great Outdoors, June 2017, Performance Audit #1621P**

Following introductions and brief overview of the audit report, here follows the status update:

- GOCO – Mr. Castilian provided an update on recommendation number one which was fully implemented in March 2018. Implementation of recommendation number two will be dependent upon new policies set by recommendation number one.
- CPW – Mr. Broscheid provided updates on recommendation numbers three and four which have been implemented or partially implemented and ongoing. Mr. Rutter then provided in-depth details on the partially implemented recommendations.

10:43 a.m.

Audit Requests

The Office of the State Auditor received the following two audit requests to present to the LAC. State Auditor Ray requested preliminary research time as allowed by Committee Rules to determine if these requests are actionable:

1. Compliance audit of the Department of Human Services – Adult Protective Services

A roll call vote was taken and passed 8-0 to grant 40 hours to the Office of the State Auditor to conduct preliminary research.

2. Performance audit of the Department of Public Safety – Sex Offender Management Board

A roll call vote was taken and passed 8-0 to grant 40 hours to the Office of the State Auditor to conduct preliminary research.

10:46 a.m.

General Business

LAC State Fair Sub-Committee Update

Chair Neville provided an update on the LAC State Fair Sub-Committee. Upon recommendation by the Chair to conduct a performance audit, Representative Saine made a motion to move forward with the audit request and Senator Smallwood seconded the motion. The motion passed by a vote of 8-0.

10:54 a.m.

Revised Proposed Interim Calendar

The LAC voted to change the November LAC hearing date to November 15 due to conflicting schedule with this year's election activities and caucuses. The vote passed unanimously.

10:56 a.m.

Report Released Without a Hearing

Department of Local Affairs Fiscal Year 2017, HUD Agreed-Upon Procedures Report

Senator Todd made a motion to release the report. Senator Smallwood seconded the motion and the motion passed unanimously. Ms. Hunter provided a brief overview of the report.

Hearing adjourned at 10:58 a.m.

Minutes submitted by: Susan Chu
Executive Assistant
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

August 13-14, 2018

Minutes

Day 1 - August 13, 2018

The Legislative Audit Committee (LAC) hearing convened at 10:02 a.m. in Hearing Room B of the Legislative Services Building. Chair Neville called the meeting to order and roll was taken with the following result:

Committee Members

Senator Rhonda Fields (arrived at 10:04 a.m.), Representative Tracy Kraft-Tharp, Representative Dafina Michaelson Jenet (arrived at 11:10 a.m.), Senator Tim Neville (Chair), Representative Kim Ransom, Representative Lori Saine, Senator Jim Smallwood, Senator Nancy Todd (Vice Chair)

The following Office of the State Auditor (OSA) staff and others attended:

OSA

Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Matt Devlin, Deputy State Auditor, Kerri Hunter, Deputy State Auditor, Michelle Colin, Crystal Dorsey, Fermina Hebert, Monica Power, Robert Regan

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Other Attendees

Cake Insure, Inc.

Rob Norris, Phil Kalin, Kathy Kranz

Pinnacol Assurance

Phil Kalin, Kathy Kranz, Jeff Cummings

KPMG

Laurel Hammer, Hallie Larson

Department of Local Affairs

Irv Halter, Alison George, Kim MacDonnell

Colorado Coalition for the Homeless

John Parvensky

Illuminate Evaluation Services

Dr. Shawn Bachtler, Dr. Candace Gratama, Dr. Kari Peterson

10:03 a.m.:

Cake Insure, Inc. A Subsidiary of Pinnacol Assurance, August 2018, Performance Audit #1812P

Vice Chair Todd made a motion to release the Cake Insure, Inc. A Subsidiary of Pinnacol Assurance, August 2018, Performance Audit. Representative Kraft-Tharp seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Kerri Hunter, Monica Power provided an overview of the performance audit. Recommendation #1 and three subparts were reviewed, discussed, and agreed to by Cake Insure. Discussion ensued regarding Cake Insure's status as a for-profit mutual insurance subsidiary with outside investors and the circumstances related to staff salaries, bonuses, stock options, participation in PERA, and the sale of other lines of insurance besides workers compensation.

11:18 a.m.:

Pinnacol Assurance, Statutory-Basis Financial Statements and Supplemental Schedules of Investment Information, December 31, 2017 and 2016 (With Independent Auditors' Report Thereon), Financial Audit #1710F

Vice Chair Todd made a motion to release the Pinnacol Assurance, Statutory-Basis Financial Statements and Supplemental Schedules of Investment Information, August 2018, Financial Audit. Senator Fields seconded the motion and the motion passed unanimously.

Following introductions, Ms. Hammer and Ms. Larson provided an overview of the financial audit. Discussion ensued regarding reasons for surplus in policy premiums. Ms. Kranz explained the factors that resulted in a surplus and how Pinnacol Assurance expensed that surplus.

11:50 a.m.: Recess

1:30 p.m.

**Evaluation of Fort Lyon Supportive Residential Community: Final Report, August 2018
Special Report #1771SP**

Following introductions, discussion ensued regarding program costs, community benefits, participants/enrollments, shelter and housing, inpatient services, and overall economic impact and effectiveness.

3:41 p.m.:

General Business

Minutes

Representative Michaelson Jenet made a motion to approve the June 25-26, 2018, LAC hearing minutes and Senator Fields seconded the motion. The motion passed unanimously.

Legislation Matrix

Ms. Bowers, State Auditor Ray, and Representative Kraft-Tharp presented information related to legislation or possible legislation recommended or related to prior audits. Representative Ransom made a motion for approval to request a bill draft from the Office of Legislative Legal Services to update the State Auditor's authoritative language. Senator Fields seconded the motion. A roll call vote was taken and this passed unanimously.

4:02 p.m.: Recess

Tuesday, August 14, 2018

The LAC reconvened at 9:00 a.m. in Hearing Room B of the Legislative Services Building. Chair Neville called the meeting to order and roll was taken with the following result:

Committee Members

Senator Rhonda Fields, Representative Tracy Kraft-Tharp, Representative Dafna Michaelson Jenet, Senator Tim Neville, Chair, Representative Kim Ransom, Representative Lori Saine (arrived at 9:12 a.m.), Senator Jim Smallwood, Senator Nancy Todd, Vice Chair

The following Office of the State Auditor (OSA) staff and others attended:

OSA

Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Matt Devlin, Deputy State Auditor, Christopher Harless, Vickie Heller

Other Attendees

Member of the General Assembly

Senator Daniel Kagan (joined the hearing at 10:15 a.m. and exited at 11:18 a.m.)

PERA

Timothy M. O'Brien, Ron Baker, Amy McGarrity

CliftonLarsonAllen LLP

Thomas Rey

Cavanaugh Macdonald Consulting, LLC

Ed Koebel

OEDIT

Jeff Kraft, Carrie Schiff

City of Black Hawk

Jack D. Lewis, Corey Y. Hoffmann

City of Cripple Creek

Bill Gray

Office of Information Technology

Deborah Blythe

9:00 a.m.

Colorado Public Employees' Retirement Association (PERA) Reports:

- **Colorado Public Employees' Retirement Association, Comprehensive Annual Financial Report (CAFR), For the Year Ended December 31, 2017, Financial Audit #1713F-A**
- **Colorado Public Employees' Retirement Association, Financial Audit, Year Ended December 31, 2017, Financial Audit #1713F**

Vice Chair Todd made a motion to release the Colorado Public Employees' Retirement financial audit report. Representative Ransom seconded the motion and the motion passed unanimously.

Following opening remarks and introductions, Mr. Rey provided an overview of the financial report. Recommendation #1 and its three subparts were reviewed, discussed, and agreed to by PERA. Discussion ensued regarding PERA's current auto-adjust system feature that projects funding and retirement payouts, and to possibly create a market model with a backup smoothing process.

Status Reports

11:14 a.m.:

- **Governor's Office of Economic Development and International Trade - Office of Film, Television, and Media, May 2017, Performance Audit #1670P**

OEDIT provided a written status report to the LAC of the performance audit of the Office of Film, Television, and Media, but did not have anyone available to present the report at the LAC hearing. Therefore, OEDIT will present this status report at the next hearing scheduled for September 2018.

11:15 a.m.

- **Colorado Governor's Office of Economic Development and International Trade - Regional Tourism Act, October 2017, Performance Audit #1683P**

Following introductions and a brief overview, Mr. Kraft and Ms. Schiff provided an update to Recommendation #1 and announced that the Department now has a dedicated analyst to oversee the program.

11:21 a.m.

- **Cities of Black Hawk, Central City, and Cripple Creek – Gaming Cities’ Use of State Historical Fund Distribution, November 2017, Performance Audit #1682P**
 - City of Black Hawk – Following introductions and a brief overview, Mr. Lewis noted that the City of Black Hawk discontinued its house rehabilitation program in December 2017, so Recommendation #1 for historic preservation no longer applies.
 - City of Cripple Creek – Mr. Gray provided an update on the implementation of Recommendation #2 that revamped the policy of awarding residential grant funds.

11:35 a.m.

Audit Requests

The Office of the State Auditor conducted preliminary research on two audit requests approved at the July 2018 LAC hearing. Ms. Bowers presented an overview of the following two evaluations:

1. **Performance audit of the Department of Human Service – Adult Protective Services**

Senator Smallwood made a motion to move forward with a performance audit of the Adult Protective Services and Vice Chair Todd seconded the motion. A roll call vote was taken and the motion passed 8-0.

2. **Performance audit of the Department of Public Safety – Sex Offender Management Board**

Senator Fields made a motion to move forward with a performance audit of the Sex Offender Management Board and Representative Michaelson Jenet seconded the motion. A roll call vote was taken and the motion passed 8-0.

11:41 a.m.

General Business

Verification of OIT Recommendations – Mr. Devlin provided a verbal update on the outstanding recommendations of the confidential Audit of Three Information Technology Systems at the Colorado Department of Public Health and Environment. OSA can substantiate five out of 16 outstanding recommendations based on OSA follow up work plus additional documents submitted by OIT. Ms. Blythe noted that OIT implemented some measure of each recommendation and the plan is to document action items to discuss with OSA at an in-person meeting.

Hearing adjourned at 11:52 a.m.

Minutes submitted by: Susan Chu
Executive Assistant
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee September 24-25, 2018 Minutes

Day 1 - September 24, 2018

The Legislative Audit Committee (LAC) hearing convened at 10:00 a.m. in Hearing Room B of the Legislative Services Building. Chair Neville called the meeting to order and roll was taken with the following result:

Committee Members

Senator Rhonda Fields (arrived at 9:08 a.m.), Representative Tracy Kraft-Tharp, Representative Dafina Michaelson Jenet, Senator Tim Neville (Chair) (arrived at 9:08 a.m.), Representative Kim Ransom, Representative Lori Saine, Senator Jim Smallwood, Senator Nancy Todd (Vice Chair)

The following Office of the State Auditor (OSA) staff and others attended:

OSA

Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Kerri Hunter, Deputy State Auditor, Michelle Colin, Crystal Dorsey, Nina Frant, Greg Fugate, Derek Johnson, Tessa Mauer, Laura Russell, Heidi Wagner

DIANNE E. RAY, CPA
—
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Other Attendees

Department of Regulatory Agencies

Margarite Salazar, Mike Conway

Department of Revenue

Michael Hartman

Colorado Lottery

Tom Seaver, Jim Bensberg

Judicial Branch

Christopher Ryan

Colorado Department of Education – School Finance Division

Jennifer Okes

Bethune School District R-5

Shila Adolf

Trinidad School District #1 – Las Animas County RE-1

Bonnie Aaron, Mitch Nutterfield

Hayden School District RE-1

Christy Sinner, Nancy Seams

10:00 a.m.:

Department of Regulatory Agencies – Division of Insurance, Title Insurance Regulation, September 2018, Performance Audit #1756P

Vice Chair Todd made a motion to release the Title Insurance Regulation, September 2018, Performance Audit. Representative Ransom seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Monica Bowers, Heidi Wagner provided an overview of the performance audit. Recommendation numbers 1 through 4 and all subparts were reviewed, discussed, and agreed to by the Division of Insurance. Discussion ensued regarding market competition, consumer access to title insurance information, and processes around conflict of interests.

11:14 a.m.

General Business

Minutes

Representative Michaelson Jenet made a motion to approve the August 13-14, 2018 LAC minutes subsequent to amending page four to include Kerri Hunter on the attendee list. Vice Chair Todd seconded the motion to approve the minutes. The motion passed unanimously.

Annual Report

Greg Fugate presented the OSA's 2018 Annual Report and highlighted a few areas of the report's key audit performances including a section for the new Fraud Hotline.

Required Communication with Those Charged with Governance

In accordance with the U.S. generally accepted auditing standards, Kerri Hunter provided an overview of significant matters related to the Statewide Single Audit of the State of Colorado for Fiscal Year 2018 to the Committee, which included a list of areas of significant risk and the corresponding planned audit approach.

11:28 a.m.

Audit Request

The Office of the State Auditor received the following two audit requests to present to the Committee. State Auditor Ray requested preliminary research time as allowed by Committee Rules to determine background of the subject and possible questions the audit might answer:

1. Performance audit of the Great Colorado Payback Program within the Department of the Treasury - Representative Ransom made a motion to expand the scope of the audit request to include sustainability of cash in and cash out. Representative Saine seconded the motion. A roll call vote was taken and passed 8-0 to grant 40 hours to the Office of the State Auditor to conduct preliminary research.
2. Performance audit of the Regional Transportation District's Farebox Program - A roll call vote was taken and passed 8-0 to grant 40 hours to the Office for the State Auditor to conduct preliminary research.

11:42 a.m.: Recess

1:30 p.m.

Department of Revenue – Colorado Lottery, August 2018, Performance Audit #1753P

Representative Saine made a motion to release the Performance Audit of the Department of Revenue, Colorado Lottery. Senator Smallwood seconded the motion and the motion passed unanimously.

Following introductions, Derek Johnson provided an overview of the performance audit.

Recommendation #1 and its two subparts were reviewed, discussed, and agreed to by the Lottery. Discussion ensued regarding trends of frequent winnings by the same individuals and investigation into those instances for possible fraud.

Recommendation #2 and its three subparts were reviewed, discussed, and agreed to by the Lottery to keep its staff/vendor database current to eliminate any risks of impropriety.

Recommendation #3 was reviewed, discussed, and agreed to by the Judicial Branch.

2:34 p.m.

General Business

Colorado Lottery Legislative Discussion

Michelle Colin opened a discussion for the Committee to consider whether to request a bill draft for the Judicial Branch to intercept prize winnings to encompass all debts assessed by the courts and not just victim's restitution. The Committee requested information on the costs to implement this. In addition, the Committee discussed possible statutory changes around "discounting", or redeeming lottery prizes for a percentage to possibly avoid tax reporting or intercepting prize money for child support, victim's restitution, or state collections. The Department of Revenue will gather more information on this proposal and present it at November's hearing.

Status Report

Judicial Branch – Public Administrators, August 2017, Performance Audit #1678P

Following introductions and a brief overview, Mr. Ryan provided an update on Public Administrators' filing requirements based on revised legislation. The State Court Administrator's office partially implemented all subparts of Recommendations #1 through #5 related to filing fees, maintaining records, and posting information.

3:00 p.m.

**Colorado School Districts, Fiscal Health Analysis, Fiscal Years 2015-2017
September 2018, Informational Report #1839S**

Vice Chair Todd made a motion to release the Colorado School Districts, Fiscal Health Analysis, Fiscal Years 2015-2017, Informational Report. Representative Saine seconded the motion and the motion passed unanimously.

Following opening remarks by Kerri Hunter and introductions, Crystal Dorsey provided an overview of the analysis. Discussion ensued on district budgets and the financial strains faced by those rural schools. Schools effectively manage by reducing programs, staffing, and dwindling reserves.

4:09 p.m.: Recess

Tuesday, September 25, 2018

The LAC reconvened at 9:00 a.m. in Hearing Room B of the Legislative Services Building. Vice Chair Todd called the meeting to order and roll was taken with the following result:

Committee Members

Senator Rhonda Fields, Representative Tracy Kraft-Tharp, Representative Dafna Michaelson Jenet, Senator Tim Neville (Chair), Representative Kim Ransom, Representative Lori Saine, Senator Jim Smallwood, Senator Nancy Todd (Vice Chair)

The following Office of the State Auditor (OSA) staff and others attended:

OSA

Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Matt Devlin, Deputy State Auditor, Kerri Hunter, Deputy State Auditor, Kevin Amirehsani, Carleen Armstrong, Dana Berry, Michelle Colin, Nina Frant, Sarah Grider, Jenny Page, Kate Shiroff, Trey Standley, James Stout, Kara Trim

Other Attendees

Office of the Child's Representative
Sheri Danz, Chris Henderson, Barbara Shaklee

State Land Board
Bill Ryan

Office of Film, TV, & Media
Donald Zuckerman, Commissioner
Mariel Rodriguez-McGill, Deputy Film Commissioner

Office of Legislative Legal Services
Robert Lackner

9:00 a.m.

**Judicial Branch – Office of the Child’s Representative, September 2018,
Performance Audit #1776P**

Representative Saine made a motion to release the Office of the Child’s Representative, September 2018, Performance Audit. Representative Ransom seconded the motion and the motion passed unanimously.

Following opening remarks and introductions, Carleen Armstrong provided an overview of the audit report. Recommendation #1 and its three subparts were reviewed, discussed, and agreed to by OCR. Discussion ensued regarding contracting with attorneys and model offices. Recommendation #2 and its six subparts were reviewed, discussed, and agreed to by OCR. Discussion ensued regarding monitoring attorneys and their contacts with the children they represent. Recommendation #3 and its four subparts were reviewed, discussed, and agreed to by OCR. Discussion ensued regarding costs and accountability associated with Colorado CASA. Recommendation #4 and its six subparts were reviewed, discussed, and agreed to by OCR. In the interest of time, Recommendation #5 was not reviewed or discussed.

10:50 a.m.

Tax Expenditures, September 2018, Compilation Report #2018-TE1

Upon introductions by Michelle Colin, OSA staff reported on tax exemptions in the areas of Agricultural Lease, Hunger Relief, Crop/Livestock, Biogas Production, and Long-term Lodging.

11:55 a.m.

Status Reports

Department of Natural Resources – State Land Board

October 2017, Performance Audit #1681P

The Department of Natural Resources provided a written status report of the recommendations from the performance audit. Following introductions, Mr. Ryan noted that the Department has implemented all subparts of each of the six recommendations.

Governor’s Office of Economic Development and International Trade –

Office of Film, Television, and Media, May 2017, Performance Audit #1670P

Following introductions, Ms. Rodriguez-McGill reviewed the written status report presented to the LAC. OEDIT is committed to improve its process and controls and have implemented all six of the recommendations and their subparts.

12:05 p.m.

Legislation

OSA Bill Draft – Auditor Ray presented a Bill Draft to update and align the authority of OSA to access records as they relate to statutorily-required or authorized audits of non-state agencies. Discussion ensued for Legislative Legal Services to clarify sections of the draft, which will be presented at the next LAC hearing.

General Business

Update on verification of OIT Recommendations – Mr. Devlin provided a verbal update on the outstanding recommendations of the CDPHE IT audit. OIT has provided documentation that can fully substantiate implementation of seven out of 16 recommendations including one recommendation that OIT approved a security exception for CDPHE to accept full risk of not implementing the recommendation.

OIT Centralization Update – The evaluation is in progress and will be presented at the December LAC hearing.

Hearing adjourned at 12:24 p.m.

Minutes submitted by: Susan Chu

Executive Assistant

Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee November 15, 2018 Minutes

November 15, 2018

The Legislative Audit Committee (LAC or Committee) hearing convened at 10:00 a.m. in Hearing Room B of the Legislative Services Building. Chair Neville called the meeting to order and roll was taken with the following result:

Committee Members

Senator Rhonda Fields (excused), Representative Tracy Kraft-Tharp, Representative Dafna Michaelson Jenet, Senator Tim Neville (Chair), Representative Kim Ransom, Representative Lori Saine (left at 11:30 a.m.), Senator Jim Smallwood (left at 3:27 p.m.), Senator Nancy Todd (Vice Chair)

The following Office of the State Auditor (OSA) staff and others attended:

OSA

Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Matt Devlin, Deputy State Auditor, Kerri Hunter, Deputy State Auditor, Bryan Brune, Michelle Colin, Crystal Dorsey, Gina Faulkner, Derek Johnson, Jenny Page, Monica Power, Scott Reid

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Other Attendees

Office of the State Controller

Robert Jaros, Jeffrey Kahn

Great Outdoors Colorado

Chris Castilian, Peter Ericson

Eide Bailly

Sara Kurtz

Department of Revenue

Heidi Humphreys

Colorado Lottery

Tom Seaver, Jennifer Anderson, Nancy Bartosz

Judicial Branch

Christopher Ryan

10:04 a.m.:

Annual Report: Status of Outstanding Audit Recommendations as of June 30, 2018, Information Report

Representative Saine made a motion to release the Status of Outstanding Audit Recommendations as of June 30, 2018 Annual Report. Vice Chair Todd seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Matt Devlin, Jenny Page provided an overview of the annual report.

Office of the State Controller - Cash Funds Uncommitted Reserves Fiscal Year Ended June 30, 2018, Performance Audit

Vice Chair Todd made a motion to release the Performance Audit of the Office of the State Controller, Cash Funds Uncommitted Reserves. Representative Saine seconded the motion and

the motion passed unanimously.

Following opening remarks and introductions by Kerri Hunter, Crystal Dorsey provided an overview of the performance audit. Scott Reid provided additional overview of the performance audit. Discussion ensued regarding the purpose of the statutory limitations on cash funds and exemption waivers.

Office of the State Controller – Schedule of TABOR Revenue Fiscal Year 2018, Performance Audit

Vice Chair Todd made a motion to release the Performance Audit of the Office of the State Controller, Schedule of TABOR Revenue. Representative Saine seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Kerri Hunter, Monica Power provided an overview of the performance audit. Discussion ensued regarding a comparison of the TABOR cap with and without Referendum C.

Higher Education Enterprise Status Memo, Informational Report

Representative Saine made a motion to release the Higher Education Enterprise Status Memo. Vice Chair Todd seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Kerri Hunter, Crystal Dorsey provided an overview of the higher education enterprise statuses.

General Business

Minutes

Vice Chair Todd made a motion to approve the September 24-25, 2018 LAC minutes as presented. Representative Saine seconded the motion to approve the minutes and the motion passed unanimously.

Legislation

OSA Bill Draft revised

Auditor Ray presented a revised Bill Draft to update and align the authority of OSA to access records as they relate to statutorily-required or authorized audits of non-state agencies. Discussion

ensued regarding the authority provided by the Bill. Senator Smallwood requested changes to the language on page 2, line 6, as well as additional language to more closely align the audit authority with the authority to access records. Chair Neville made a motion to make suggested revisions to the Bill Draft and re-present at the December hearing. Vice Chair Todd seconded the motion. The motion passed unanimously.

General Business

Session Calendar

Auditor Ray presented a proposed 2019 LAC Hearing Session Calendar and requested members provide any conflicts with the proposed dates. Auditor Ray will present a final proposed Session Calendar at the December hearing to be approved by the LAC at that time.

11:30 a.m.: Recess

1:30 p.m.

Great Outdoors Colorado – State Board of the Great Outdoors Colorado Trust Fund Financial and Compliance Audit for the Years June 30, 2018 and 2017, Financial Audit

Vice Chair Todd made a motion to release the Financial Audit of the State Board of the Great Outdoors Colorado Trust Fund. Senator Smallwood seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Kerri Hunter, Sara Kurtz provided an overview of the finance audit. Discussion ensued regarding the Inspire Initiative. Chris Castilian described the process used to track the program.

Department of Revenue – Colorado Lottery, Financial Audit

Vice Chair Todd made a motion to release the Financial Audit of the Department of Revenue, Colorado Lottery. Senator Smallwood seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Kerri Hunter, Sara Kurtz provided an overview of the financial audit. Discussion ensued regarding the advertising/marketing budget, number of employees and breakdown of their roles, and unfunded PERA expenses.

General Business

Colorado Lottery Performance Audit 2018 - Follow Up, Performance Audit

After opening remarks by Michelle Colin, Derek Johnson provided an overview of the follow-up investigation by the Lottery of the unusual winning patterns identified in the audit. Jennifer Anderson discussed the measures taken by the Colorado Lottery in regards to the Committee's prior concerns. A short video on Lottery security was played. Discussion ensued regarding the number of arrests/incidents related to fraud and the current number of law enforcement employed and their roles.

Executive Session

Senator Smallwood made a motion and Representative Michaelson Jenet seconded the motion and it passed unanimously to convene an Executive Session as advised by legal counsel in accordance with Section 24-6-402(3)(a)(IV), C.R.S. to discuss the Lottery investigation.

2:59 p.m.

Colorado Lottery Legislation

Michelle Colin provided an overview of the recommended legislation to add court fines and fees to the intercept program. Christopher Ryan provided additional information. Discussion ensued regarding potential cost of implementation and hierarchy of debt collected via intercepts.

Chair Neville made a motion to proceed with a bill draft that will add court fines and fees to the Lottery intercept program. Vice Chair Todd seconded the motion. The motion passed unanimously.

Audit Requests

Evaluation of a Request for a Performance Audit of the Regional Transportation District (RTD) Farebox Revenue Program

Monica Bowers provided an overview of the audit request evaluation. Chair Neville made a motion to approve the audit request, as part of the next regularly scheduled RTD performance audit. Representative Ransom seconded the motion. A roll call vote was taken and passed 6-0 (Senator Fields and Representative Saine were excused).

Audit request for a performance audit of the Severance Tax System within the Department of Revenue and the Department of Natural Resources

The Office of the State Auditor received an audit request for a performance audit of the Severance Tax System within the Department of Revenue and the Department of Natural Resources. State Auditor Ray requested preliminary research time as allowed by Committee Rules to determine background of the subject and possible questions the audit might answer. Vice Chair Todd made a motion to proceed with the preliminary research. Representative Michaelson Jenet seconded the motion and the motion passed unanimously.

General Business

Update on Verification of OIT Recommendations

Mr. Devlin provided a verbal update on the outstanding recommendations of the CDPHE IT audit. OIT has provided documentation that can fully substantiate implementation of 5 additional recommendations. In addition, OIT approved another secure configuration exemption request to partially address one other outstanding recommendation.

Overall net effect is that OIT has provided documentation that can fully substantiate 12 out of 16 recommendations as implemented, with 2 of those 12 being partially addressed through 5 exceptions. One additional open recommendation OIT originally reported as implemented has changed to partially implemented. Three are unconfirmed.

Great Colorado Payback Audit Request – Auditor Ray provided a verbal update. The evaluation was completed, but the OSA did not receive final approval from any of the three requestors. Auditor Ray will follow up and present it at the December hearing if the requestors approve the approach to the audit.

Hearing adjourned at 3:33 p.m.

Minutes submitted by: Youngsin Joh
Temporary Executive Assistant
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee December 3-4, 2018 Minutes

Day 1 - December 3, 2018

The Legislative Audit Committee (LAC or Committee) hearing convened at 10:00 a.m. in Senate Committee Room 357 of the Colorado State Capitol Building. Chair Neville called the meeting to order and roll was taken with the following result:

Committee Members

Senator Rhonda Fields (arrived 10:02 a.m.), Representative Tracy Kraft-Tharp, Representative Dafna Michaelson Jenet, Senator Tim Neville (Chair), Representative Kim Ransom, Representative Lori Saine, Senator Jim Smallwood, Senator Nancy Todd (Vice Chair)

The following Office of the State Auditor (OSA) staff and others attended:

OSA

Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Christopher Harless, Vickie Heller, Jenny Page, Kate Shiroff, Amber Spencer, Shannon Wawrzyniak, Meghan Westmoreland, Stefanie Winzeler

DIANNE E. RAY, CPA
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Other Attendees

Department of Health Care Policy & Financing

Bonnie Silva, Daniel Krug, Chris Underwood

Community-Centered Boards

Blue Peaks Developmental Services: Brooke E. Hayden

Colorado Bluesky Enterprises: Michael Atlas-Acuña

Community Connections: Tara Kiene

Community Options: Tom Turner

Developmental Disabilities Resource Center: Beverly Winters

Developmental Pathways: Melanie Worley

Eastern Colorado Services for the Developmentally Disabled: Rhonda Roth

Envision: Celeste Ewert

Foothills Gateway: Debbie Lapp

Horizons Specialized Services: Susan Mizen

Imagine!: Mark Emery

Inspiration Field: Johnnie DeLeon

Mesa Developmental Services (Strive): Sharon Jacksi

Mountain Valley Developmental Services: Sara Sims

North Metro Community Services: Randy Broderon

Rocky Mountain Human Services: Shari Repinski

Southeastern Developmental Services: David Harbour

Southern Colorado Developmental Disabilities Services: Duane Roy

Starpoint: Robert Arnold

The Resource Exchange: David A. Ervin

10:01 a.m.:

Community-Centered Boards, November 2018, Performance Audit

Representative Michaelson Jenet made a motion to release the Community-Centered Boards, November 2018, Performance Audit. Representative Saine seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Monica Bowers, Bonnie Silva, and the CCBs, Vickie Heller provided an overview of the performance audit.

Recommendation #1 and three subparts were reviewed, discussed, and agreed to by the Department of Health Care Policy and Financing. Discussion ensued regarding waitlist, funding reversion and allocation, impact to recipients, CCB capabilities/capacity, and program administration budget.

Recommendation #2 was reviewed, discussed, and agreed to by all 9 of the identified CCBs. Discussion ensued regarding case manager qualifications, case load, training, evaluation, work flow, report entry methodology, and recipient's individual service plans.

Recommendation #3 was reviewed, discussed, and agreed to by all 18 identified CCBs.

Recommendation #4 was reviewed, discussed, and agreed to by the Department of Health Care Policy and Financing. Discussion ensued regarding prior delay and non-prioritization of issue, Department reassignments over CCBs, outcome expectations - minimum number of people served vs. value-based outcomes, program structure and flexibility, and employment training for IDD individuals.

Recommendation #5 was reviewed, discussed, and agreed to by all 20 CCBs.

Recommendation #6 was reviewed, discussed, and agreed to by the Department of Health Care Policy and Financing. Discussion ensued regarding the BUS system, future installation of a new logging system, service plan meetings with recipients, equipment used by case managers to log documentation.

12:05 p.m.: Recess

1:31 p.m.

Continued: Community-Centered Boards, November 2018, Performance Audit

Following introductions by Monica Bowers, review of the findings and recommendations continued.

Recommendation #7 was reviewed, discussed, and agreed to by all 20 CCBs.

Recommendation #8 was reviewed, discussed, and agreed to by the Department of Health Care Policy and Financing. Discussion ensued regarding improvements currently and expected to be in place within the systems.

Recommendation #9 was reviewed, discussed, and agreed to by the two CCBs identified.

Recommendation #10 was reviewed, discussed, and agreed to by the Department of Health Care Policy and Financing. Discussion ensued regarding billing units vs. billing time, "creative" billing by

CCBs, reimbursement coverage, unit payment rate, case manager salary and working hours, stakeholder/rule-making process.

Recommendation #11 was reviewed, discussed, and agreed to by 10 of the 12 CCBs identified, one CCB partially agreed, and one CCB disagreed. Discussion ensued regarding micromanagement and turnover rate of case managers, history of 15-minute billing unit, value-based reimbursement, additional reimbursement coverage considerations.

Recommendations #12 and #13 were reviewed, discussed, and agreed to by the Department of Health Care Policy & Financing. Discussion ensued regarding reimbursement plan, Program Integrity and fraud, interChange edits, expected implementation date of system enhancement, potential impacts to CCBs as a result of the re-billing; cost impact, federal accountability, re-billing process - how and time involved.

Tom Turner, from Community Options, provided comments regarding issues of mileage in servicing individuals in rural Colorado. Additional closing comments were provided by several other CCBs and the Department of Health Care Policy & Financing.

Additional discussion ensued regarding potential future legislative actions - additional accountability to Committees of Reference, 15-minute increment fixes, and interim discussions on an informal level between members of the Legislative Audit Committee and the Department to move issues along.

3:47 p.m.: Recess

Day 2 - December 4, 2018

The Legislative Audit Committee (LAC or Committee) hearing reconvened at 9:00 a.m. in Hearing Room B of the Legislative Services Building. Chair Neville called the meeting to order and roll was taken with the following result:

Committee Members

Senator Rhonda Fields (arrived 9:06 a.m.), Representative Tracy Kraft-Tharp, Representative Dafna Michaelson Jenet, Senator Tim Neville (Chair), Representative Kim Ransom, Representative Lori Saine (arrived 9:22 a.m.), Senator Jim Smallwood, Senator Nancy Todd (Vice Chair)

The following Office of the State Auditor (OSA) staff and others attended:

OSA

Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Kerri Hunter, Deputy State Auditor, Matt Devlin, Deputy State Auditor, Greg Fugate, Sarah Grider, Jenny Page

Other Attendees

Governor's Office of Information Technology

Suma Nallapati , Brenda Berlin, William Chumley, Ramona Gomoll, David McCurdy

Berry Dunn

Charlie Leadbetter, Richard Boes

Department of Human Services

Dr. Robert Werthwein, Camille Harding

Colorado Department of Public Health and Environment

Karin McGowan, Garrison Kauffman

9:04 a.m.:

HB17-1361 Evaluation Report, Evaluation of State IT Resources, November 2018, Performance Audit

Vice Chair Todd made a motion to release the Performance Audit of HB17-1361 Evaluation Report, Evaluation of State IT Resources. Senator Smallwood seconded the motion and the motion passed unanimously.

Following introductions and opening remarks by Matt Devlin, Charlie Leadbetter provided an overview of the performance audit. Richard Boes provided details regarding the Recommendations.

Recommendation #1 and four subparts were reviewed, discussed, and the Governor's Office of Information Technology agreed to subparts A, B, and C of Recommendation #1. The Governor's Office of Information Technology disagreed with subpart D of Recommendation #1. Discussion ensued regarding personnel expansion due to OIT centralization, use of non-classified IT positions, key performance indicators (KPI), and the clearing process of exceptions.

Recommendation #2 and four subparts were reviewed, discussed, and agreed to by the Governor's Office of Information Technology. Discussion ensued regarding individual agency capability to understand their hardware and ownership of assets.

Recommendation #3 and four subparts were reviewed, discussed, and agreed to by the Governor's Office of Information Technology. Discussion ensued regarding cost-benefit analysis.

Recommendation #4 and two subparts were reviewed, discussed, and agreed to by the Governor's Office of Information Technology. Discussion ensued regarding best-practice models.

Recommendation #5 was reviewed, discussed, and agreed to by the Governor's Office of Information Technology. Discussion ensued regarding the update of the cloud strategy

Recommendation #6 and five subparts were reviewed, discussed, and agreed to by the Governor's Office of Information Technology. Discussion ensued regarding personnel capabilities and specific references/statutes used to determine recommendations.

Recommendation #7 and four subparts were reviewed, discussed, and agreed to by the Governor's Office of Information Technology.

Recommendation #8 and three subparts were reviewed, discussed, and two of three subparts were agreed to by the Governor's Office of Information Technology. The Office disagreed with Subpart C. Discussion ensued regarding ownership defined in statute.

Recommendation #9 and two subparts were reviewed, discussed, and agreed to by the Governor's Office of Information Technology.

Recommendation #10 and 11 subparts were reviewed, discussed, and 10 of the 11 subparts were agreed to by the Governor's Office of Information Technology. The Office partially agreed with subpart K.

Recommendation #11 and three subparts were reviewed, discussed, and subparts B and C were agreed to by the Governor's Office of Information Technology. The Office partially agreed with subpart A. Discussion ensued regarding budget allocation and prioritization.

GENERAL BUSINESS

Minutes

Vice Chair Todd made a motion to approve the November 15, 2018 LAC minutes as presented. Representative Saine seconded the motion to approve the minutes and the motion passed unanimously.

Legislation

- **OSA Bill Draft revised**

Auditor Ray presented a revised Bill Draft to align the authority of OSA to access records as they relate to statutorily-required or authorized audits of non-state agencies. Requested changes were incorporated to specifically call out the statutory citations from the audit authorities given to OSA outside of the state government. Additional stakeholder input was sought out, and also resulted in a revised Bill Title.

Senator Smallwood made a motion to move the Bill to Bill Paper. Representative Ransom seconded the motion. A roll call vote was taken and the motion passed by a vote of 8-0. Primary sponsors for the bill will be Senator Smallwood, Senator Todd, Representative Saine, and Representative Kraft-Tharp. All other Committee members will be included as co-sponsors.

2019 Session Calendar

Auditor Ray provided a brief overview of the proposed 2019 Session Calendar. Vice Chair Todd made a motion to approve the 2019 Session Calendar. Representative Michaelson Jenet seconded the motion and the motion passed unanimously.

Status Reports

- **Department of Human Services – Office of Behavioral Health, Management of Substance Abuse Treatment Data Status, Performance Audit**

Following opening remarks and introductions by Monica Bowers, Sarah Grider provided an overview of the status report. Dr. Robert Werthwein provided additional details on the update. All six recommendations have been implemented.

- **Colorado Department of Public Health & Environment – AIR Program, Performance Audit**

Following opening remarks and introductions by Monica Bowers, Greg Fugate provided an overview of the status report. Karin McGowan provided additional details on the update. All three parts of the recommendation have been implemented.

Audit Request

Department of Human Services – Crisis Stabilization and Respite Services RFP Process

The Office of the State Auditor received an audit request for a performance audit of the RFP Process for the Crisis Stabilization and Respite Services within the Department of Human Services. State Auditor Ray requested preliminary research time as allowed by Committee Rules to determine background of the subject and possible questions the audit might answer. Vice Chair Todd provided additional comments. Representative Saine made a motion to proceed with the preliminary research. Representative Ransom seconded the motion and the motion passed unanimously.

January 2019 Election of Vice-Chair

Auditor Ray provided a brief overview of the process that will be implemented to elect a new Legislative Audit Committee Vice-Chair, a House Republican, at the January 15, 2018 meeting.

Reports Released Without a Hearing

Representative Saine made a motion to release the Reports Without a Hearing. Senator Smallwood seconded the motion and the motion passed unanimously.

- 1) Adams State University; Financial and Compliance Audit; Fiscal Years Ended June 30, 2018 and 2017

- 2) Auraria Higher Education Center; Financial and Compliance Audit, Fiscal Years Ended June 30, 2018 and 2017
- 3) CollegeInvest College Savings Program Funds; Financial Statements and Independent Auditor's Reports; Financial Audit, Years Ended June 30, 2018 and 2017; Compliance Audit, Year Ended June 30, 2018
- 4) Colorado Community College System Financial Statements and Independent Auditor's Reports; Financial Audit, Years Ended June 30, 2018 and 2017; Compliance Audit, Year Ended June 30, 2018
- 5) Colorado School of Mines; Financial Statements and Independent Auditor's Report; Financial Audit, Years Ended June 30, 2018 and 2017, Compliance Audit Year Ended June 30, 2018
- 6) 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, 2018 and 2017
- 7) Colorado Veterans Community Living Center at Rifle; Financial Statements with Independent Auditors' Reports; Year Ended June 30, 2018
- 8) Division of Gaming, Department of Revenue, State of Colorado; Financial Statements, Independent Auditor's Report and Supplementary Information; Years Ended June 30, 2018 and 2017
- 9) Fort Lewis College Financial and Compliance Audit; Fiscal Year Ended June 30, 2018 and 2017
- 10) University of Colorado Financial and Compliance Audit; June 30, 2018 and 2017
- 11) Western State Colorado University; Financial and Compliance Audit, Fiscal Years Ended June 30, 2018 and 2017

Kerri Hunter provided a brief overview of the reports.

Hearing adjourned at 12:17 p.m.

Minutes submitted by: Youngsin Joh
Temporary Executive Assistant
Office of the State Auditor