



OFFICE OF THE STATE AUDITOR



LEGISLATIVE AUDIT COMMITTEE JANUARY 15, 2019 MINUTES

DIANNE E. RAY, CPA
—
STATE AUDITOR

A meeting of the Legislative Audit Committee (LAC) convened on January 15, 2019 at 7:05 a.m. in the Legislative Services Building, Audit Hearing Room B. Madam Chair Todd called the meeting to order. Roll was called with the following result:

Committee Members:

Senator Rhonda Fields, Representative Tracy Kraft-Tharp, Senator Paul Lundeen (arrived 8:30am), Representative Dafna Michaelson Jenet, Representative Kim Ransom, Representative Lori Saine (Vice Chair), Senator Jim Smallwood (arrived 7:15am), Senator Nancy Todd (Chair)

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

OSA

Dianne E. Ray, State Auditor, Matt Devlin, Deputy State Auditor, Kerri Hunter, Deputy State Auditor, Michelle Colin, Managing Legislative Auditor

Other Legislators and Attendees:

Representative Daneya Esgar

Department of Agriculture

Kate Greenberg, Joy Moore

Colorado State Fair Authority

Scott Stoller

Wall, Smith, Bateman, Inc.

Karla Willschau

Office of Economic Development and Trade

Betsy Markey, Sonya Guram, Jeff Kraft

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**Colorado State Fair Authority Financial and Compliance Audit
Fiscal Years Ended June 30, 2018 and 2017**

Sen. Todd made a motion to release the report of the Colorado State Fair Authority Financial and Compliance Audit, Fiscal Years Ended June 30, 2018 and 2017. Rep. Saine seconded the motion and the motion passed unanimously.

Ms. Willschau presented an overview of the audit report.

Discussion ensued regarding the difference between box office sales and gate admissions sales, challenges regarding the decline in attendance and the plan to increase it, and the new changes in local government positions and how it can affect the Colorado State Fair Authority.

Minutes

Sen. Todd made a motion to approve minutes from the December 3-4, 2018 LAC meeting and Rep. Saine seconded it. The motion passed unanimously.

Enterprise Zone Annual Report, State Fiscal Year 2018

Ms. Markey introduced self and her staff then proceeded to discuss Enterprise Zone's (EZ) functions in the communities it serves. Discussion ensued regarding how EZ determines the merit of organizations to have access to these funds and detailed information on all businesses that use these tax credits available on the OEDIT website per statutes and the Secretary of State's Transparency Online Project.

Legislation

Lottery Intercepts

Ms. Colin provided an overview of Lottery Intercepts Bill Draft.
Discussion ensued regarding how the process works.

Sen. Todd made a motion to move the bill draft to bill paper and Rep. Saine seconded the motion; the motion passed unanimously.

House Prime Sponsors: Rep. Kraft-Tharp and Rep. Saine
Senate Prime Sponsors: Sen. Smallwood, Sen. Fields
Co-sponsors: Sen. Todd, Rep. Michaelson Jenet

Audit Requests

Suicide Prevention

Auditor Ray requested research time from committee.

Rep. Michaelson Jenet made a motion to approve research time and Rep. Saine seconded it. Motion passed unanimously.

Great Colorado Payback

Auditor Ray stated that Sen. Fields had agreed to rescind the request.

DHS Report Process Audit

Sen. Todd rescinded her audit request.

Update on CDPHE Outstanding Recommendations

Mr. Devlin updated the committee on the recommendations now being fully implemented.

Report Released without a Hearing

Rep. Saine made a motion to release the reports, Rep. Michaelson Jenet seconded the motion. The motion passed unanimously.

Ms. Hunter provided an overview of the reports.

The meeting adjourned at 8:25 a.m.

Minutes submitted by: Santiago Vidaurri
Executive Assistant
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



LEGISLATIVE AUDIT COMMITTEE JANUARY 29, 2019 MINUTES

DIANNE E. RAY, CPA
—
STATE AUDITOR

A meeting of the Legislative Audit Committee (LAC) convened on January 29, 2019 at 7:05 a.m. in the Legislative Services Building, Audit Hearing Room B. Senator Nancy Todd called the meeting to order. Roll was called with the following result:

Committee Members:

Representative Rod Bockenfeld, Senator Rhonda Fields (arrived 7:13am), Representative Tracy Kraft-Tharp, Senator Paul Lundeen (arrived 7:10am), Representative Dafna Michaelson Jenet (arrived 7:50am), Senator Jim Smallwood, Representative Lori Saine (Vice Chair), Senator Nancy Todd (Chair)

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

OSA

Dianne E. Ray, State Auditor, Kerri Hunter, Deputy State Auditor, Monica Bowers Deputy State Auditor, Michelle Colin, Managing Legislative Auditor, Derek Johnson, Legislative Auditor, Tessa Mauer, Legislative Auditor

Other Attendees:

Department of Human Services

Jerene Petersen, Minna Castillo Cohen, Anders Jacobson, Erin Osterhaus

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Department of Human Services Division of Youth Services Reporting Performance Audit January 2019

Rep. Saine made a motion to release the report of the Department of Human Services Division of Youth Services Reporting Performance Audit January 2019. Rep. Kraft-Tharp seconded the motion and the motion passed unanimously.

Following opening remarks and introductions by Monica Bowers and representatives from the Department of Human Services, Michelle Colin provided an overview of the Division of Youth Services Chapter 1 Section of the report and stated there were some inaccuracies with the data set calculations submitted by the division. As a result her team could not conclude on the accuracy of the educational advancement information on the report and it was addressed in first recommendation.

Derek Johnson presented the findings for the Education Outcomes Reporting and he stated the division's inaccurate use of terms can create misinterpretations for readers and they should consider these factors when producing future reports. Recommendation #1 was reviewed, discussed, and agreed to by the Division of Youth Services. In addition, the grade level placement process was discussed.

Tessa Mauer provided the findings for the Recidivism Report. Recommendation #2 was reviewed, discussed, and agreed to by the Division of Youth Services. Discussion ensued on the three areas of improvement and if there was a link between educational outcomes and recidivism.

Minutes

A motion was made to approve the minutes from the January 15, 2019 LAC meeting by Rep. Saine and Sen. Lundeen seconded it. The motion passed unanimously.

Audit Requests

Severance Tax

The Office of the State Auditor received a request for an audit of the assessment, collection, and administration of severance taxes. Ms. Bowers discussed the Severance Tax audit request memo.

A motion to move forward with the audit was made by Sen. Smallwood and Rep. Kraft-Tharp seconded it. Motion passed unanimously.

Report Released without a Hearing

A motion was made to release the report by Rep. Michaelson Jenet and Rep. Kraft-Tharp seconded the motion. The motion passed unanimously.

Kerri Hunter provided an overview of the 2018 School Capital Construction Annual Reporting by the Colorado Department of Education.

Fiscal Year 2020 Office of the State Auditor Proposed Budget

Auditor Ray presented an overview of the budget request and discussion ensued on the additional costs and oversight.

A motion was made by Rep. Michaelson Jenet to approve the Fiscal Year 2020 Office of the State Auditor Proposed Budget and move it to the Executive Committee with authorization to make any changes as prescribed by the Executive Committee or the Joint Budget Committee and Rep. Saine seconded the motion. The motion passed unanimously.

The meeting adjourned at 8:30 a.m.

Minutes submitted by: Santiago Vidaurri
Executive Assistant
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



LEGISLATIVE AUDIT COMMITTEE FEBRUARY 12, 2019 MINUTES

DIANNE E. RAY, CPA
—
STATE AUDITOR

A meeting of the Legislative Audit Committee (LAC) convened on February 12, 2019 at 7:00 a.m. in the Legislative Services Building, Audit Hearing Room B. Senator Nancy Todd called the meeting to order. Roll was called with the following result:

Committee Members:

Representative Rod Bockenfeld, Senator Rhonda Fields (arrived 7:06am),
Representative Tracy Kraft-Tharp, Senator Paul Lundeen (arrived 7:02am),
Representative Dafna Michaelson Jenet, Senator Jim Smallwood,
Representative Lori Saine (Vice Chair), Senator Nancy Todd (Chair)

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

OSA

Dianne E. Ray, State Auditor, Kerri Hunter, Deputy State Auditor, Matt Devlin Deputy State Auditor, Crystal Dorsey, Managing Legislative Auditor, Marisa Edwards, Managing Legislative Auditor, Cindi Radke, Managing Legislative Auditor, Michelle Colin, Senior Audit Manager

Other Attendees:

Robert Jaros, State Controller
Pierce Lively, Staff Attorney, Office of Legislative Legal Services
Chris Ryan, Court Administrator, Judicial Branch

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State of Colorado Statewide Single Audit, Fiscal Year Ended June 30, 2018 (1801F)

Sen. Todd stated that the Statewide Single Audit Report does not include the sections for the Departments of Corrections and Health Care Policy and Financing but will be distributed, released and discussed at the February 26th Hearing.

Rep. Saine made a motion to release the State of Colorado Statewide Single Audit, Fiscal Year Ended June 30, 2018 as presented and Sen. Lundeen seconded the motion and the motion passed unanimously.

Kerri Hunter introduced staff. Crystal Dorsey provided an overview of the audit report sections.

State of Colorado Comprehensive Annual Financial Report (CAFR), Fiscal Year Ended June 30, 2018

Robert Jaros introduced himself and staff as well as discussed his background, position and the Office of the State Controller (OSC). Mr. Jaros discussed the sections of the CAFR and the financial statements.

State of Colorado Statewide Single Audit, Fiscal Year Ended June 30, 2018 (1801F)

Recommendation 2018-026 was reviewed, discussed, and agreed to by the State Controller. Also, discussion ensued regarding OSC staff member not signing the required management representation letter and the issue about higher education institutions being part of the primary government or component units.

Recommendation 2018-027 was reviewed, discussed, and agreed to by the State Controller. Discussion ensued regarding if there is a rank ordering of the issues as they are presented.

Recommendation 2018-028 was reviewed, discussed, and agreed to by the State Controller. Discussion ensued regarding training and proficiency requirements for staff.

Recommendation 2018-029 was reviewed, discussed, and agreed to by the State Controller.

Recommendation 2018-030 was reviewed, discussed, and agreed to by the State Controller. Discussion ensued regarding the process of determining what information is considered material or immaterial when it is reported to the state.

Recommendation 2018-031 was reviewed, discussed, and agreed to by the State Controller. Further discussion ensued regarding evaluation of OSC employees' specific tasks and responsibilities.

Recommendation 2018-032 was reviewed, discussed, and agreed to by the State Controller.

Minutes

A motion was made by Sen. Smallwood to release the January 29, 2019 minutes and it was seconded by Sen. Lundeen. It passed unanimously.

Discussion of HB19-1128

Ms. Colin provided an overview of HB19-1128 regarding Lottery Intercepts.

Pierce Lively provided an overview of Amendment L.007 and discussed the order of lottery winning payments and discussion ensued on child support, victim restitution and court fees.

Mr. Lively provided an overview of technical Amendment L.001 and discussion ensued on the removal of the word “criminal” in the bill trailer.

Auditor Ray informed the committee that the email she sent to the committee regarding the amendment proposal they had all agreed to will not be moving forward or being discussed.

A motion was made to approve amendments L.001 and L.007 by Rep. Michaelson Jenet and it was seconded by Rep. Saine. It passed 7-1 with Rep. Bockenfeld opposing to L.001.

The meeting adjourned at 9:00 a.m.

Minutes submitted by: Santiago Vidaurri
Executive Assistant
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



LEGISLATIVE AUDIT COMMITTEE FEBRUARY 26, 2019 MINUTES

DIANNE E. RAY, CPA
—
STATE AUDITOR

A meeting of the Legislative Audit Committee (LAC) convened on February 26, 2019 at 7:00 a.m. in the Legislative Services Building, Audit Hearing Room B. Senator Nancy Todd called the meeting to order. Roll was called with the following result:

Committee Members:

Representative Rod Bockenfeld, Senator Rhonda Fields (arrived 7:14am), Representative Tracy Kraft-Tharp, Senator Paul Lundeen, Representative Dafna Michaelson Jenet, Senator Dennis Hisey, Representative Lori Saine (Vice Chair), Senator Nancy Todd (Chair)

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

OSA

Dianne E. Ray, State Auditor; Kerri Hunter, Deputy State Auditor; Monica Bowers Deputy State Auditor; Pooja Tulsian, Managing Legislative Auditor; Ferminia Hebert, Legislative Supervisor; Henry Hung, Contract Monitor

Other Attendees:

Kim Bimestefer, Executive Director, Department of Health Care Policy & Financing; Chris Underwood, Office Director, Health Information Office; Bonnie Silva, Office Director, Office of Community Living; Greg Tanner, Controller, Finance Office; Deb Goheen, Interim Director Of Finance and Administration, Department of Corrections; David Lindsay, Colorado Correctional Industries Director; Brad Duca, Controller; Sara Kurtz, Partner, EideBailly, LLP; Brent Millspaugh, Senior Manager; Paul Kane, Senior Manager

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State of Colorado Statewide Single Audit, Fiscal Year Ended June 30, 2018

Rep. Michaelson Jenet made a motion to release the second part of the State of Colorado Statewide Single Audit, Fiscal Year Ended June 30, 2018, Rep. Saine seconded the motion and the motion passed unanimously.

Department of Health Care Policy & Financing

Kerri Hunter introduced staff.

Kim Bimestefer introduced herself and staff as well as gave overview of the Department of Health Care Policy & Financing (HCPF).

Pooja Tulsian provided an overview of the Department of Health Care Policy & Financing audit report.

Recommendation 2018-044 was reviewed, discussed, and agreed to by the department. Discussion ensued on the methodology, eligibility error rates, limited financial resources, training of department staff throughout the state's counties, department accountability, and plans to correct the audit's findings for future audits.

Recommendation 2018-045 was reviewed, discussed, and agreed to by the department.

Recommendation 2018-046 was reviewed, discussed, and agreed to by the department.

Recommendation 2018-047 was reviewed, discussed, and agreed to by the department.

Recommendation 2018-015 was reviewed, discussed, and agreed to by the department.

Kerri Hunter introduced staff and contractor EideBailly, LLP.

Department of Corrections

Deb Goheen introduced herself and staff as well as gave an overview of the Department of Corrections (DOC).

Sara Kurtz presented an overview of the audit.

Recommendation 2018-001 was reviewed, discussed, and agreed to by the department. Discussion ensued regarding the DOC's continuous employee turnover and use of money appropriated for projects by the Capital Development Committee.

Recommendation 2018-002 was reviewed, discussed, and agreed to by the department.

Recommendation 2018-039 was reviewed, discussed, and agreed to by the department.

Recommendation 2018-042 was reviewed, discussed, and agreed to by the department.

Recommendation 2018-043 was reviewed, discussed, and agreed to by the department. Discussion ensued on issues regarding purchase card compliance, training and the purchase cycle limits.

Minutes

A motion was made by Sen. Fields to release the February 12, 2019 minutes and it was seconded by Rep. Bockenfeld. It passed unanimously.

Audit Request

Monica Bowers provided an overview of the Suicide Prevention Audit request.

A motion was made to approve the audit request by Rep. Bockenfeld and it was seconded by Rep. Michaelson Jenet. It passed unanimously.

Reports Released Without a Hearing

A motion was made to release the reports by Sen. Fields and it was seconded by Rep. Saine. It passed unanimously.

Ms. Hunter provided an overview of the three reports and stated they are available on the Office of the State Auditor's website.

Proposed Interim Calendar

Auditor Ray asked the committee to review the calendar dates and submit any changes before the March 19, 2019 LAC Hearing.

Auditor Ray made a recommendation to cancel the March 5, 2019 LAC Hearing and the committee approved unanimously.

The meeting adjourned at 9:10 a.m.

Minutes submitted by: Santiago Vidaurri

Executive Assistant
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



LEGISLATIVE AUDIT COMMITTEE MARCH 19, 2019 MINUTES

DIANNE E. RAY, CPA
—
STATE AUDITOR

A meeting of the Legislative Audit Committee (LAC) convened on March 19, 2019 at 7:00 a.m. in the Legislative Services Building, Audit Hearing Room B. Senator Nancy Todd called the meeting to order. Roll was called with the following result:

Committee Members:

Representative Rod Bockenfeld, Senator Rhonda Fields, Representative Tracy Kraft-Tharp, Senator Paul Lundeen (arrived 7:10am), Representative Dafna Michaelson Jenet, Senator Jim Smallwood, Representative Lori Saine (Vice Chair), Senator Nancy Todd (Chair)

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

OSA

Dianne E. Ray, State Auditor; Matt Devlin, Deputy State Auditor

Other Attendees:

Dr. Theresa Szczurek, Executive Director and Chief Information Officer, Governor's Office of Information Technology; William Chumley, Chief Customer Officer; Kara Veitch, Executive Director, Department of Personnel and Administration; Richard Boes, Consultant, Berry Dunn

Minutes
Legislative Audit Committee
March 19, 2019

HB18-1421 Evaluation Report Procurement Process for Major Information Technology Projects, March 2019

Rep. Saine made a motion to release the HB18-1421 Evaluation Report Procurement Process for Major Information Technology Projects, March 2019 and Rep. Michaelson Jenet seconded the motion and the motion passed unanimously.

Matt Devlin introduced himself and introduced the contractor.

Kara Veitch introduced herself.

Dr. Theresa Szczurek introduced herself and staff as well as gave an overview of the Governor's Office of Information Technology office.

Richard Boes discussed the evaluation report.

Discussion ensued on the OIT's employee compensation rates, agency's internal evaluation processes, identified areas of challenge, agency's goals and priorities, change management resources and centralization.

Recommendations 1-9 were reviewed, discussed, and agreed to by the department.

Minutes

A motion was made by Rep. Michaelson Jenet to approve the February 26, 2019 minutes and it was seconded by Sen. Fields. It passed unanimously.

Proposed Interim Calendar

A motion was made by Sen. Fields to approve the Proposed 2019 Interim Calendar and it was seconded by Rep. Michaelson Jenet. It passed unanimously.

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

A motion was made by Sen. Fields to move into Executive Session Pursuant to Sections 24-6-402(3)(a)(IV), C.R.S. for the Audit of Three Information Technology Systems at the Colorado Department of Public Health and Environment (Confidential Report) Status Report, January 2019 and it was seconded by Rep. Michaelson Jenet. It passed unanimously.

The meeting adjourned at 8:30 a.m.

Minutes submitted by: Santiago Vidaurri
Executive Assistant
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

June 10-11, 2019

Minutes

Day 1 - June 10, 2019

A meeting of the Legislative Audit Committee (LAC) convened on June 10, 2019 at 10:05 a.m. in the Legislative Services Building, Audit Hearing Room B. Senator Nancy Todd called the meeting to order. Roll was called with the following result:

Committee Members

Representative Rod Bockenfeld, Senator Julie Gonzales, Representative Tracy Kraft-Tharp, Senator Paul Lundeen, Representative Dafna Michaelson Jenet, Senator Jack Tate, Representative Lori Saine (Vice Chair), Senator Nancy Todd (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, Jenny Atchley, Michelle Colin, Crystal Dorsey, Nina Frant, Sarah Grider, Vickie Heller, Bobby Regan, Trey Standley, James Taurman

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Other Attendees

Transportation Commission

Shannon Gifford, Commission Chair

Sidny Zink, Commission Audit Committee Chair

Colorado Department of Transportation

Shoshana Lew, Executive Director

Josh Laipply, Chief Engineer

Jeff Sudmeier, Chief Financial Officer

Colorado New Energy Improvement District

Andrew Sand, Board Chair

Sjoberg Evashenk Consulting, Inc.

George Skiles, Principal

Pinnacol Assurance

Phil Kalin, President and Chief Executive Officer

Kathy Kranz, Vice President & Chief Financial Officer

Jeff Cummings, Risk & Audit Committee Chair

KPMG

Ashley Rogers, Audit Partner

Lexi Oberoi, Audit Manager

10:03 a.m.:

Operational Risk Areas Performance Audit, Department of Transportation and Transportation Commission, May 2019

Rep. Saine made a motion to release the *Operational Risk Areas Performance Audit, May 2019*.

Rep. Michaelson Jenet seconded the motion and the motion passed unanimously.

Ms. Bowers introduced self and audit staff.

Ms. Lew introduced self, Commissioners and staff.

Mr. Standley provided an overview of the report.

Recommendation #1 was reviewed, discussed, and agreed to by the Colorado Department of Transportation (CDOT). Discussion ensued regarding carry forwards from previous years and expenditures, commitment of federal dollars process, allocations from previous years, budget pools, SAP software, construction management and spending, simplification of categories in budget plan for next year and short term versus long term implementation of changes.

Recommendations #2 and #3 were reviewed, discussed, and agreed to by the Colorado Department of Transportation (CDOT). Discussion ensued regarding the differentiation between a budget and a revenue allocation plan, carry forward, long bill, statutes used in the audit process, risk assessment tools and statute training.

Recommendations #4 and #5 were reviewed, discussed, and agreed to by the Colorado Department of Transportation (CDOT).

Recommendation #6 was reviewed, discussed, and agreed to by the Colorado Department of Transportation (CDOT). Discussion ensued regarding the department's signature approval process.

General Business

Minutes

Rep. Michaelson Jenet made a motion to approve the March 19, 2019, LAC hearing minutes and Sen. Tate seconded the motion. The motion passed unanimously.

12:10 p.m.: **Recess**

1:30 p.m.

Colorado New Energy Improvement District Performance Audit, May 2019

Rep. Kraft-Tharp made a motion to release the *Colorado New Energy Improvement District Performance Audit, May 2019*. Rep. Bockenfeld seconded the motion and the motion passed unanimously.

Ms. Bowers introduced self, staff and contractor.

Mr. Sand introduced self and Mr. Skiles gave an overview of the report. Discussion ensued regarding the use of grants and conflict of interest.

Recommendation #1 was reviewed, discussed, and agreed to by the Colorado New Energy Improvement District. Discussion ensued regarding the new project revenue fee model compared to using grants and the short and long term financial sustainability of the program.

Recommendations #2 and #3 were reviewed, discussed, and agreed to by the Colorado New Energy Improvement District. Discussion ensued regarding the source of revenue for the grants received, evaluation of existing assessments, using grants compared to raising fees, program administrator and the lifetime cost savings.

2:15 p.m.:

Pinnacol Assurance Statutory-Basis Financial Statements and Supplemental Schedules of Investment Information, December 31, 2018 and 2017

Rep. Saine made a motion to release the *Pinnacol Assurance Statutory-Basis Financial Statements and Supplemental Schedules of Investment Information, December 31, 2018 and 2017*. Rep. Michaelson Jenet seconded the motion and the motion passed unanimously.

Ms. Rogers provided an overview of the report and discussion ensued regarding the type of accounting used and the insurer of the last resort.

Cake Update

Mr. Kalin provided an update on Cake and discussion ensued regarding possible conflict of interest between Cake and Pinnacol, fees charged to Cake by Pinnacol, founder's shares and Cake staffing.

3:00 p.m.:

General Business

Report Released Without a Hearing

Rep. Saine made a motion to release the *Department of Local Affairs Fiscal Year 2018 Agreed-Upon Procedures Report* and Rep. Kraft-Tharp seconded the motion. The motion passed unanimously.

Ms. Hunter discussed the report.

3:05 p.m.: **Recess**

Tuesday, June 11, 2019

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

Committee Members

Representative Rod Bockenfeld (arrived 9:03 a.m.), Senator Julie Gonzales, Representative Tracy Kraft-Tharp, Senator Paul Lundeen, Representative Dafna Michaelson Jenet, Senator Jack Tate (arrived 9:17 a.m.), Representative Lori Saine (Vice Chair) (arrived 9:03 a.m.), Senator Nancy Todd (Chair)

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

OSA

Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Michelle Colin, Crystal Dorsey, Nina Frant, Sarah Grider, Vickie Heller, James Taurman

Other Attendees

Department of Natural Resources

Dan Gibbs, Executive Director, Department of Natural Resources

Kevin Rein, State Engineer, Director, Division of Water Resources

Department of Corrections

Deb Goheen, Director of Finance and Administration

David Lindsay, Colorado Correctional Industries Director

Kristina Ireland, Colorado Correctional Industries Canteen Services Manager

Brad Duca, Controller

9:00 a.m.

Water Well Inspection Program Performance Audit, May 2019

Rep. Kraft-Tharp made a motion to release the *Water Well Inspection Program Performance Audit, May 2019*. Rep. Michaelson Jenet seconded the motion and the motion passed unanimously.

Following opening remarks and introductions, Ms. Grider provided an overview of the report.

Recommendation #1 was reviewed, discussed, and agreed to by the Department of Natural Resources. Discussion ensued regarding follow-through on violations, high risk wells, efficiency of program and its funding, policy implementation, monitoring high risk wells and drillers with the department's current resources, value of the program, decrease of inspectors and hiring of inspectors, cost of well drilling and the life of the wells, contamination issues, percentage of the wells inspected and funding issues.

Recommendation #2 was reviewed, discussed, and agreed to by the Department of Natural Resources.

Recommendation #3 was reviewed, discussed, and agreed to by the Department of Natural Resources. Discussion ensued regarding the implementation of the recommendations with current resources.

Recommendation #4 was reviewed, discussed, and agreed to by the Department of Natural Resources. Discussion ensued regarding the use and transfer of general funds.

10:30 a.m.

General Business

2019 Interim Calendar Update

Auditor Ray presented committee with the changes to the September 2019 LAC Hearing dates. Rep. Saine made a motion to approve the update. Rep. Kraft-Tharp seconded the motion and the motion passed unanimously.

Status Report:**Department of Corrections Performance Audit of the Inmate Canteen and Banking Programs,
April 29, 2019**

Following opening remarks and introductions Ms. Goheen provided the department's status and discussion ensued regarding the mark-up process and price agreement, security issues regarding canteen change and the delay of the bid process.

11:35 a.m.

Audit Requests

Auditor Ray requested preliminary research time on the two audit requests:

1. County Child Welfare Expenditures

Rep. Michaelson Jenet made a motion to move forward with the requested preliminary research time and Sen. Lundeen seconded the motion and the motion passed unanimously.

2. Higher Education Use of State Dollars

Senator Lundeen made a motion to move forward with the requested preliminary research time and Rep. Saine seconded the motion and the motion passed unanimously.

Tax Expenditure Interim Committee

Ms. Colin provided an update to the committee.

Legislative Update

Ms. Bowers provided the following update on legislation carried by the Audit Committee or related to audits:

- HB1136 passed
- HB1128 passed
- HB1282 passed
- SB251 passed

Hearing adjourned at 11:00 a.m.

Minutes submitted by: Santiago Vidaurri
Executive Assistant
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee

July 29-30, 2019

Minutes

Day 1 – July 29, 2019

A meeting of the Legislative Audit Committee (LAC) convened on July 29, 2019 at 10:00 a.m. in the Legislative Services Building, Audit Hearing Room B. Senator Nancy Todd called the meeting to order. Roll was called with the following result:

Committee Members

Representative Rod Bockenfeld, Senator Rhonda Fields, Representative Tracy Kraft-Tharp, Senator Dennis Hisey, Representative Dafna Michaelson Jenet, Senator Jack Tate, Representative Lori Saine (Vice Chair), Senator Nancy Todd (Chair)

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

OSA

Dianne E. Ray, State Auditor, Kerri Hunter, Deputy State Auditor, Carleen Armstrong, Jenny Atchley, Madeline Beasley, Crystal Dorsey, Dana Dove, Greg Fugate, Fermina Hebert, John Kelly, Jenny Page, Amber Spencer, Brad Walcher

DIANNE E. RAY, CPA

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Other Attendees

Department of Treasury

Dave Young, State Treasurer

Bianca Gardelli, Director of Unclaimed Property

Colorado Department of Education

Alan Dillon, Associate Commissioner School Quality and Support

Aaron Oberg, Director of School Finance

Thompson School District

Gordon Jones, Chief Financial Officer

West Grand School District

Darrin Peppard, Superintendent

Martha Schake, Director of Finance and Human Resources

Governor's Office of Information Technology

David McCurdy, Chief Technology Officer

Peter Bangas, Public Safety Communications Network Manager

10:00 a.m.:

Division of Unclaimed Property Performance Audit, Department of the Treasury, July 2019

Rep. Saine made a motion to release the *Division of Unclaimed Property Performance Audit, July 2019*. Rep. Michaelson Jenet seconded the motion and the motion passed unanimously.

Brad Walcher provided an overview of the report. Madeline Beasley and Ferminia Hebert discussed the report.

Recommendation #1 was reviewed, discussed, and agreed to by the Division of Unclaimed Property. Discussion ensued regarding security of personal information submitted online by claimants, the Division's response time to claims, and ease of use of the online claim process.

Recommendation #2 was reviewed, discussed, and agreed to by the Division of Unclaimed Property. Discussion ensued regarding the effectiveness of email notifications solely replacing paper mail notifications.

Recommendation #3 was reviewed, discussed, and agreed to by the Division of Unclaimed Property. Discussion ensued regarding the number of staff working in the Division and selling property on eBay.

Recommendation #4 was reviewed, discussed, and agreed to by the Division of Unclaimed Property. A statement prepared by the Division regarding the Division's accounting discrepancy was read.

General Business

Minutes

Rep. Michaelson Jenet made a motion to approve the June 10-11, 2019, LAC hearing minutes and Sen. Fields seconded the motion. The motion passed unanimously.

12:00 p.m.: Recess

1:30 p.m.:

Fiscal Health Analysis Informational Report, Colorado School Districts, Fiscal Years 2016-2018

Rep. Kraft-Tharp made a motion to release the *Fiscal Health Analysis Informational Report, Fiscal Years 2016-2018*. Sen. Tate seconded the motion and the motion passed unanimously.

Crystal Dorsey provided an overview of the report. Dana Dove presented the report. Discussion ensued regarding solvency, arbitrage, funding issues, communication with district parents and taxpayers, and financial considerations for school districts.

2:15 p.m.:

Public Safety Radio Communications System Performance Audit, Governor's Office of Information Technology, June 2019

Sen. Fields made a motion to release the *Public Safety Radio Communications System Performance Audit, June 2019*. Rep. Kraft-Tharp seconded the motion and the motion passed unanimously.

John Kelly and Amber Spencer presented the report. Brief discussion ensued regarding the coordination between the Office and school districts.

The audit team did not identify any problems with the areas related to the System and did not have any audit recommendations.

3:00 p.m.:

Status Report: HB18-1421 Evaluation Report: Procurement Process for Major Information Technology Projects May 8, 2019

Following opening remarks and introductions, discussion ensued regarding concerns with the cost of the project and accountability of staff working on the project, as well as, to what degree women and minority vendors are selected to do this work.

3:30 p.m.:

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

A motion was made to move into Executive Session Pursuant to Sections 24-6- 402(3)(a)(III), C.R.S. to review matters regarding the Fraud Hotline Pursuant to Section 2-3-100.5 C.R.S. and it was seconded. It passed unanimously.

4:00 p.m.: Recess

Day 2 – July 30, 2019

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

Committee Members

Representative Rod Bockenfeld, Representative Tracy Kraft-Tharp, Senator Paul Lundeen, Representative Dafna Michaelson Jenet, Senator Jack Tate, Representative Lori Saine (Vice Chair), Senator Nancy Todd (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, Dana Berry, Pooja Tulsian

Other Attendees

Colorado Public Employees' Retirement Association

Ron Baker, Executive Director
Amy C. McGarrity, Chief Investment Officer
Tim O'Brien, PERA Board Chairman

Segal Consulting

Matt Strom, FSA, MAAA, EA; Vice President and Actuary
Brad Ramirez, FSA, MAAA, EA; Vice President and Actuary
Melissa Krumholz, FSA, MAAA; Senior Health Consultant

CliftonLarsonAllen

Thomas Rey, Partner

Office of the Child's Representative

Chris Henderson, Executive Director
Sheri Danz, Deputy Director
Mark Teska, Chief Operating Officer

Department of Health Care Policy and Financing

Kim Bimestefer, Executive Director
Marviel Klueckman, Eligibility Division Director
Rachel Reiter, External Relations Director

9:00 a.m.

Colorado Public Employees' Retirement Association (PERA) Reports:

- **Colorado Public Employees' Retirement Association Comprehensive Annual Financial Report (CAFR) Financial for the Year Ended December 31, 2018**
- **Colorado Public Employees' Retirement Association Financial Audit Year Ended December 2018**

Rep. Kraft-Tharp made a motion to release the *Colorado Public Employees' Retirement Association Annual Financial Audit Year Ended December 2018*. Rep. Michaelson Jenet seconded the motion and the motion passed unanimously.

Thomas Rey presented the report. Discussion ensued regarding the method of plan design, accountability, and governance of PERA, as well as, the perception of whether investment assumptions and projections are being met.

Actuaries presented their information. Discussion ensued regarding active versus inactive participants, trends over time, comparisons to other states and systems, consideration of mortality rates and career mobility, retiree liability versus other funding models, governance structure and performance, and the Board's strategic plan for portfolio risk rate.

11:00 a.m.

Status Report: The Office of the Child's Representative Performance Audit, September 2018

Following opening remarks and introductions, comments were made regarding the importance of this audit and that most audit recommendations have been fully or partially implemented. Commendations were made regarding the good work of the Office.

HCPF Medicaid Eligibility Findings Status Update

Following opening remarks and introductions, a verbal status update was provided. A brief discussion ensued regarding the Department's certification of trainers.

Legislative Matrix

Monica Bowers presented the Legislative Matrix.

A motion was made by Rep. Michaelson Jenet to move forward on a bill draft related to the recommendations in the legislation matrix from the Commuting audit and it was seconded by Rep. Kraft Tharp. It passed unanimously.

A motion was made by Rep. Michaelson Jenet to take legislative action to amend the auditor's statutes and address the attorney-client privilege issue and it was seconded by Rep Saine. It passed unanimously.

A discussion ensued regarding the need to clarify legislative action regarding notification requirements to unclaimed property owners and the possibility that recent legislation may not have fully addressed the issue. No motion was made or voted on. Instead, it was determined that further discussion with the Treasurer's Office was needed and a subcommittee was appointed.

Subcommittee: Rep. Kraft-Tharp, Rep. Michaelson Jenet, Rep. Saine, Sen. Todd

National State Auditor Association Award

Auditor Dianne Ray shared that the Office of the State Auditor, Tax Expenditure team was awarded the *2019 NSAA Excellence in Accountability Award (Special Project)*.

12:00 p.m.: Hearing Adjourned

Minutes submitted by: Angela Rick
Executive Assistant
Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee September 18-19, 2019 Minutes

DIANNE E. RAY, CPA
—
STATE AUDITOR

Day 1 – September 18, 2019

A meeting of the Legislative Audit Committee (LAC) convened on September 18, 2019 at 10:00 a.m. in the Legislative Services Building, Audit Hearing Room B. Senator Nancy Todd called the meeting to order. Roll was called with the following result:

Committee Members

Representative Rod Bockenfeld, Representative Tracy Kraft-Tharp, Senator Pete Lee, Senator Paul Lundeen, Representative Mike Weissman, Representative Lori Saine (Vice Chair, arrival 10:10 a.m.), Senator Nancy Todd (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, Kevin Amirehsani, Michelle Colin, Greg Fugate, Vickie Heller, Kate Shiroff, Kate Sabott, James Stout, James Taurman, Kim Tinnell

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Other Attendees

Colorado Civil Rights Commission

Dr. Miguel R. Elias, Chair

Colorado Department of Regulatory Agencies

Patty Salazar, Executive Director

Aubrey L. Elenis, Colorado Civil Rights Division, Director

Department of Revenue

Lu Cordova, Executive Director

Brendon Reese, Senior Director, Taxation Division

Jim Burack, Director, Marijuana Enforcement Division

Kyle Lambert, Deputy Director, Marijuana Enforcement Division

BerryDunn

Bill Brown, Principal

Governor's Office of Information Technology

William Chumley, Chief Customer Officer

10:03 a.m.

School Safety, Department of Education, Department of Law, Department of Public Health and Environment, Department of Public Safety, September 2019

Sen. Lundeen made a motion to release the *School Safety, Department of Education, Department of Law, Department of Public Health and Environment, Department of Public Safety, September 2019 Performance Audit*. Rep. Kraft-Tharp seconded the motion and the motion passed unanimously.

10:05 a.m.

Management of Civil Rights Discrimination Complaints, Colorado Civil Rights Commission, Colorado Civil Rights Division, August 2019

Sen. Lundeen made a motion to release the *Management of Civil Rights Discrimination Complaints, Colorado Civil Rights Commission, Colorado Civil Rights Division, August 2019 Performance Audit*. Rep. Kraft-Tharp seconded the motion and the motion passed unanimously.

Following opening remarks and introductions, Vickie Heller, Kate Shiroff and Kate Sabott presented the report.

Recommendation #1 was reviewed, discussed, and agreed to by the Colorado Civil Rights Division. Discussion ensued regarding expedited processes, comparison to other jurisdictions' timeline

standards, the potential of bias resulting due to the nature of the Division's complaint process, Board training, and the Division's newly created training materials and methods, investigative tools, and full-time investigator positions.

Recommendations #2 and #3 were reviewed, discussed, and partially agreed to by the Colorado Civil Rights Commission and the Division. Discussion ensued regarding time extension requests initiated by the Division rather than by the complainant and respondent parties, communication procedures with parties to protect parties' time extension rights, and new policies to ensure timeliness of claim processing.

Recommendation #4 and #5 were not presented or discussed.

Recommendation #6 was reviewed, discussed, and partially agreed to by the Colorado Civil Rights Commission. Discussion ensued regarding the degree to which the Commission operates in a transparent and accountable manner, as well as, abides by the rules and policies as required by statute.

General Business

Minutes

Sen. Todd made a motion to approve the July 29-30, 2019, LAC hearing minutes. Rep. Kraft-Tharp seconded the motion and the motion passed unanimously.

12:15 p.m.: Recess

1:30 p.m.

Evaluation of the Colorado Department of Revenue's Use of Marijuana Inventory Tracking Data, August 2019

Sen. Todd made a motion to release the *Evaluation of the Colorado Department of Revenue's Use of Marijuana Inventory Tracking Data, August 2019* report. Rep. Kraft-Tharp seconded the motion and the motion passed unanimously.

Following opening remarks and introductions, Bill Brown presented the report. Discussion ensued regarding the potential tax liability risk unique to the marijuana industry because it is a cash only business, how self-regulation within the marijuana industry leads to greater success for the industry, and the use of radio frequency identification (RFID) tags to track marijuana inventory from seed to sale.

Recommendation #1 was reviewed, discussed, and agreed to by the Department of Revenue.

2:30 p.m.

Tax Expenditures Compilation Report, September 2019

Following opening remarks and introductions, Michelle Colin provided an overview of the *Tax Expenditures Compilation Report, September 2019*. James Taurman, James Stout, Kevin Amirehsani, and Kim Tinnell presented the report.

3:20 p.m.

Status Report: HB17-1361 Evaluation Report: Evaluation of State IT Resources – Status Report

Following opening remarks and introductions, Matt Devlin provided a summary of the report and the OIT representative provided the status report. Discussion ensued regarding concerns with why many of the audit recommendations have not been completed on time. OIT will discuss these recommendations and implementation status with the Joint Technology Committee in October and with the LAC again in November.

3:30 p.m.: Recess

Day 2 – September 19, 2019

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

Committee Members

Representative Rod Bockenfeld (arrival 9:04 a.m.), Senator Dennis Hisey, Representative Tracy Kraft-Tharp, Senator Paul Lundeen, Senator Robert Rodriguez, Representative Mike Weissman, Representative Lori Saine (Vice Chair), Senator Nancy Todd (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, Nina Frant, Derek Johnson, Laura Russell, Heidi Wagner, Meghan Westmoreland

Other Attendees

Department of Education

Dr. Katy Anthes, Commissioner of Education

Department of Law

Matt Baca, Director of Community Engagement

Department of Public Health and Environment

Jill Hunsaker Ryan, Executive Director

Department of Public Safety

Jana Locke, Deputy Executive Director

Department of Human Services

Minna Castillo Cohen, Director, Office of Children, Youth, and Families

Anders Jacobson, Director, Division of Youth Services

9:03 a.m.

School Safety, Department of Education, Department of Law, Department of Public Health and Environment, Department of Public Safety, September 2019

Following opening remarks and introductions, Nina Frant and Heidi Wagner presented the *School Safety, Department of Education, Department of Law, Department of Public Health and Environment, Department of Public Safety, September 2019 Performance Audit*.

The audit team did not have any audit recommendations.

Discussion ensued regarding remote school districts' access to school safety resources, how to better utilize the Colorado School Safety Resource Center (CSSRC) to centralize and coordinate school safety efforts, the importance of more effective collection and utilization of data, as well as how school safety is a complex issue that requires a holistic approach especially regarding bullying and suicide prevention.

10:55 a.m.

Child Welfare Expenditure Audit Request

Auditor Dianne E. Ray explained that after researching the requested topic, the Office of the State Auditor would not be able to obtain the information requested by the Joint Budget Committee (JBC) for the audit, therefore the JBC withdrew their request for this audit.

11:00 a.m.

Division of Youth Services Reporting Performance Audit, January 2019, Status Report

Following opening remarks and introductions, Derek Johnson provided a summary of the audit and the Department representative provided a status report. All audit recommendations have been implemented.

11:10 a.m.

Legislation: Office of the State Auditor Access to Attorney-Client Privilege Bill Draft

Auditor Ray explained the basis of the bill. Sen. Lundeen made a motion to move forward on the bill draft. Rep. Kraft-Tharp seconded the motion and the motion passed unanimously.

Rep. Kraft-Tharp requested that stakeholders be contacted regarding the bill. Auditor Ray will provide an update at the November hearing.

Primary bill sponsors are Sen. Todd and Sen. Lundeen and Rep. Kraft-Tharp and Rep. Bockenfeld. Rep. Weissman, Sen. Rodriguez, and Sen. Hisey agreed to be co-sponsors.

11:20 a.m.

Legislation: Unclaimed Property Subcommittee Report

The Unclaimed Property Subcommittee did not meet to discuss possible legislation. A brief discussion ensued regarding possible legislation around notification, timelines, and verifications required to get unclaimed property back to owners.

11:29 p.m.

Governance: Required Communication with Those Charged with Governance

Deputy Auditor Kerri Hunter presented the required communications with those charged with governance. This communication included the following areas: 1) planned audit scope, including statewide risk areas, 2) fraud, and 3) the Office of the State Auditor's responsibilities under professional standards.

11:45 p.m.: Hearing Adjourned

Minutes submitted by: Angela Rick

Executive Assistant

Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee November 4 - 5, 2019 Minutes

DIANNE E. RAY, CPA
—
STATE AUDITOR

Day 1 – November 4, 2019

A meeting of the Legislative Audit Committee (LAC) convened on November 4, 2019, at 10:06 a.m. in the Legislative Services Building, Audit Hearing Room A (moved due to technical issue). Senator Nancy Todd called the meeting to order. Roll was called with the following results:

Committee Members

Representative Rod Bockenfeld, Senator Rhonda Fields (arrival 10:09 a.m.), Representative Tracy Kraft-Tharp, Senator Paul Lundeen (departure 4:02 p.m.), Representative Dafna Michaelson Jenet, Senator Jim Smallwood (departure 3:12 p.m.), Representative Lori Saine (Vice Chair), Senator Nancy Todd (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, Jenny Page, Gina Faulkner, Bryan Brune, Michelle Colin, Derek Johnson, Dr. Christopher Harless, Stefanie Winzeler, Dana Berry

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303.869.2800

Other Attendees

Colorado Judicial Branch

Steven Vasconcellos, State Court Administrator

Colorado Lottery

Tom Seaver, Director

Jennifer Anderson, Deputy Director

Nancy Bartosz, Controller

Colorado State Fair Authority

Lois Tochtrop, Board Member

Scott Stoller, General Manager

Department of Agriculture

Kate Greenberg, Commissioner of Agriculture and Colorado State Fair Authority Board Member

Eide Bailly

Kimberly Higgins, Partner

Sara Kurtz, Partner

Paul Kane, Senior Audit Manager

Great Outdoors Colorado

Chris Castilian, Executive Director

Andrea Conrad, Controller

Charles Garcia, Board Member and Finance Committee Chair

Representative Daneya Esgar

10:06 a.m.

Annual Report: Status of Audit Recommendations Not Fully Implemented as of June 30, 2019, Informational Report

Representative Saine made a motion to release the *Annual Report: Status of Audit Recommendations Not Fully Implemented as of June 30, 2019, Informational Report*. Representative Kraft-Tharp seconded the motion and the motion passed unanimously.

Mr. Devlin introduced self and staff.

Ms. Page presented an overview of the report.

Concern was expressed as to why past audit recommendations were still outstanding. Discussion ensued on the best way to ensure that the various departments implement audit recommendations, including reaching out to the various chairs and committee members responsible for the departments with questions prior to the SMART hearings, providing specific direction as to expectations, or possibly prepare a bill to deal with the material weaknesses presented in the report. This will be discussed further at the December hearing.

11:08 a.m.

State Board of the Great Outdoors Colorado Trust Fund Financial and Compliance Audit for the Years June 30, 2019 and 2018

Representative Michaelson Jenet made a motion to approve *State Board of the Great Outdoors Colorado Trust Fund Financial and Compliance Audit for the Years June 30, 2019 and 2018*. Senator Smallwood seconded and motion passed unanimously.

Ms. Hunter introduced self, staff, and contractor.

Mr. Castilian (Great Outdoors Colorado) introduced self and staff.

Ms. Higgins (Eide Bailey) presented an overview of the report.

Discussion ensued as to whether GOCO had complied with Article 27 as to monies authorized and expended, and whether they had internal controls and policies in place. The report demonstrated that GOCO was in compliance and that there were no issues with internal controls. Mr. Castilian clarified that data suggested that funds are distributed 50/50 urban vs. rural areas of the state. He will provide those details to Senator Fields.

11:36 a.m.

Colorado Lottery, Financial and Compliance Audit June 30, 2019 and 2018

Representative Michaelson Jenet made a motion to release the *Colorado Lottery, Financial and Compliance Audit June 30, 2019 and 2018*. Representative Bockenfeld seconded the motion and the motion passed unanimously.

Ms. Hunter introduced self, staff, and contractor.

Mr. Seaver (Colorado Lottery) introduced self and staff.

Ms. Kurtz (Eide Bailly) presented an overview of the report.

Discussion ensued regarding demographics of sales, as well as the claim rate for lottery prizes.

General Business

Minutes

Representative Saine made a motion to approve the September 18 – 19, 2019 LAC hearing minutes.

Representative Michaelson Jenet seconded the motion and the motion passed unanimously.

12:00 p.m.

Status Report:

Colorado Lottery Performance Audit, Department of Revenue, August 2018

Ms. Colin introduced self and staff.

Mr. Johnson presented an overview of the report.

Mr. Vasconcellos (Colorado Judicial Branch) introduced self and presented status report.

Mr. Seaver (Colorado Lottery) provided a response to the status report.

All recommendations fully implemented.

12:05 p.m.

Recess

1:30 p.m.

Colorado State Fair Authority Performance Audit Department of Agriculture, October 2019

Representative Kraft-Tharp made a motion to release the *Colorado State Fair Authority Performance Audit, Department of Agriculture, October 2019*. Representative Bockenfeld seconded the motion and the motion was passed unanimously.

Ms. Bowers introduced self and staff.

Ms. Greenberg (Department of Agriculture) introduced self, board member, and manager (Colorado State Fair Authority).

Mr. Harless presented an overview of Chapter 1, Recommendation #1, and Policy Considerations.

Chapter 1 – Overview was reviewed and discussed. It was noted that the State Fair has not qualified as an enterprise since fiscal year 2006.

Recommendation #1 – Governance was reviewed, discussed, and recommendations agreed to by the Colorado State Fair Authority. The Authority provided additional details as to Recommendation 1-E, regarding legal guidelines determining whether the Board is responsible for hiring and supervising the general manager. Discussion ensued noting that the LAC requested that some of the implementation dates be revised. Further discussion ensued as to the lack of a charter and the lack of a clear governance structure. Additionally, fair displays from a variety of industries are required by statute; however, industries outside of agriculture were underrepresented at the fair.

Policy Considerations were reviewed and discussed. Discussion ensued around other states' fairs, continuing to reach out to other state departments to increase their participation at the fair, and changing the composition of the board to address statutorily identified industry representation.

Ms. Winzeler presented an overview of Recommendations #2 – #4.

Recommendations #2 and #3 – Strategic Planning and Management were reviewed, discussed, and recommendations agreed to by the Colorado State Fair Authority. Discussion ensued regarding the Authority's goal to focus on the recommendations as outlined in the audit. Copies of the Authority's proposed work plan to document the audit recommendations and path forward were distributed.

Recommendation #4 - Facilities Maintenance was reviewed, discussed, and recommendations agreed to by the Colorado State Fair Authority. Discussion ensued regarding building conditions, managing building repairs and maintenance, and related costs.

Ms. Berry presented an overview of Recommendations #5 – #6.

Recommendation #5 – Management of Non-Fair Facility Rentals was reviewed, discussed, and recommendations agreed to, with the exception of part C, by the Colorado State Fair Authority. The Authority disagreed with recommendation. Discussion ensued regarding policies and standards for discounts provided for vendors, negotiation of long-standing contracts, and blackout dates for facility rentals.

Recommendation #6 – Marketing was reviewed, discussed, and recommendations agreed to by the Colorado State Fair Authority.

It was requested that the Authority provide the annual report to the LAC, which is required by statute to be issued by October 31, that implementation dates for Recommendation 1 be revised to shorten the timeline, and to present working copies of its bylaws for Recommendation 1A and Recommendation 1D during the January 2020 LAC meeting.

4:33 p.m.

Recess

Day 2 – November 5, 2019

A meeting of the Legislative Audit Committee (LAC) convened on November 4, 2019, at 9:05 a.m. in the Legislative Services Building, Audit Hearing Room A. Senator Nancy Todd called the meeting to order. Roll was called with the following results:

Committee Members

Representative Rod Bockenfeld, Senator Rhonda Fields (arrival 9:16 a.m.), Representative Tracy Kraft-Tharp (arrival 9:06 a.m.), Senator Paul Lundeen, Representative Dafna Michaelson Jenet, Senator Jim Smallwood (departure 12:07 p.m.), Representative Lori Saine (Vice Chair), Senator Nancy Todd (Chair) (departure 12:12 p.m.)

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; Vickie Heller, Crystal Dorsey, Scott Reid, Monica Power, Ferminia Hebert, Jenny Page, Kate Shiroff, Nina Frant

Other Attendees

Colorado Attorney General's Office

Chris Beall, Deputy Attorney General

Department of Health Care Policy and Financing

Bonnie Silva, Office of Community Living Director

Daniel Krug, Office of Community Living, Operations & Administration Division Director

Department of Regulatory Agencies

Patty Salazar, Executive Director

Aubrey Elenis, Civil Rights Division Director

Department of Revenue

Dan Hartman, Division of Gaming, Director

Lori Dugan, Chief Financial Officer

Jean Robinson, Legislative Liason

Department of the Treasury

Dave Young, Treasurer

Maruti More, Chief Investment Officer

Charles Scheibe, Chief Financial Officer

Governor's Office of Information Technology (OIT)

Dr. Theresa Szczurek, Chief Information Officer and Executive Director

William Chumley, Chief Customer Officer

Deborah Blyth, Chief Information Security Officer

Office of the State Controller

Robert Jaros, State Controller

Jeffrey Kahn, Director of Financial Reporting & Analysis

Sjoberg Evashenk Consulting

George Skiles, Partner and Project Manager

9:05 a.m.

Treasury Investment Management Performance Audit Department of the Treasury, October 2019

A motion was made to release the *Treasury Investment Management Performance Audit, Department of the Treasury, October 2019*. The motion was seconded and the motion passed unanimously.

Ms. Bowers introduced self, staff, and contractor.

Mr. Young (Department of the Treasury) introduced self and staff.

Mr. Skiles presented an overview of the report.

Chapter 1 – Overview was reviewed. There were no questions.

Recommendation #1 – Investment Performance was reviewed, discussed, and recommendations agreed to by the Department of the Treasury. Discussion ensued regarding risk and yield noting that safety is the primary responsibility of the Treasury Department, followed by liquidity, then yield.

Recommendation #2 – Compliance with Investment Policies was reviewed, discussed, and recommendations agreed to by the Department of the Treasury. Discussion ensued noting that Department of the Treasury has set an end of year timeline for implementation.

10:05 a.m.

Cash Funds Uncommitted Reserves Fiscal Year Ended June 30, 2019, Performance Audit, October 2019

Representative Michaelson Jenet made a motion to release the *Cash Funds Uncommitted Reserves Fiscal Year Ended June 30, 2019, Performance Audit, October 2019*. Senator Smallwood seconded the motion and the motion was passed unanimously.

Ms. Hunter introduced self and staff.

Mr. Jaros (Office of the State Controller) introduced self and staff.

Ms. Dorsey presented an overview of Chapter #1 (partial).

Mr. Reid presented an overview of Chapters #1 (partial) - #2.

Chapter #1 – Overview and Restrictions of Spending Authority and Chapter #2 – Findings and Recommendations were reviewed, discussed, and the majority of the recommendations were agreed to by most of the departments. Suggestions for reducing the cash fund ranged from reducing fees, increasing expenditures, or obtaining JBC waivers. The largest fund out of compliance was the marijuana cash fund. Discussion ensued as to the regulatory framework of the industry, why this particular cash balance remained high, and why those funds remained in the cash fund rather than being allocated toward current needs. It was recommended that this conversation be continued during the SMART Hearings.

10:39 a.m.

Schedule of TABOR Revenue Fiscal Year 2019 Performance Audit, October 2019

Senator Fields made a motion to release the *Schedule of TABOR Revenue Fiscal Year 2019 Performance Audit, October 2019*. Representative Michaelson Jenet seconded the motion and the motion was passed unanimously.

Ms. Hunter introduced self and staff.

Mr. Jaros (Office of the State Controller) introduced self and staff.

Ms. Power presented an overview of the Summary of Audit Results Letter, TABOR Certification Letter, and the Schedule of TABOR Revenue 2019 – Overview, Audit Scope and Methodology, and Overall Conclusion.

Ms. Hebert presented an overview of the Schedule of TABOR Revenue 2019 – Preparation of the Fiscal Year 2019 TABOR Financial Report and all remaining sections of the report.

Summary of Audit Results Letter, TABOR Certification Letter, and the Schedule of TABOR Revenue 2019 – Overview, Audit Scope and Methodology, and Overall Conclusion were presented and discussed. Questions ensued regarding computation of total state expenditures of \$48.3 billion and what composed that dollar amount. The State Controller’s Office will provide the details of the total state expenditures to the LAC.

Schedule of TABOR Revenue 2019 – Preparation of the Fiscal Year 2019 TABOR Financial Report and all remaining sections of the report were presented with no additional questions.

10:57 a.m.

Higher Education Enterprise Status Memo, Fiscal Year 2019

Senator Lundeen made a motion to release the *Higher Education Enterprise Status Memo, Fiscal Year 2019*. Representative Michealson Jenet seconded the motion and the motion was passed unanimously.

Ms. Hunter introduced self and staff.

Ms. Dorsey presented the status memo.

The Higher Education Enterprise Status Memo, Fiscal Year 2019, was presented and discussed. Further discussion ensued noting that the College Opportunity Fund was not subject to TABOR due to an earlier Attorney General Opinion, and clarified that the funds actually go directly to students and not the university.

11:10 p.m.

Status Reports:

Community-Centered Boards Performance Audit, November 2018

Ms. Bowers introduced self and staff.

Ms. Silva (Department of Health Care Policy and Financing, HCPF) introduced self and staff.

Mr. Page presented an overview of the report.

Mr. Krug presented an overview of the HCPF portion of the status report.

The status report for the Community-Centered Boards Performance Audit, November 2018, was presented and discussed. The HCPF provided updates on Recommendations #1 and #4 noting that these recommendations were partially implemented, and that they were on track and on time for complete implementation per guidelines. Discussion ensued as to what attributed to success. Those factors included the insights provided by the audit, support from community-centered boards, and methodologies enacted.

Gaming Administrative Expenses Performance Audit, Division of Gaming, June 2018

Ms. Bowers introduced self and staff.

Ms. Frant presented an overview of the report.

Mr. Hartman (Colorado Division of Gaming) introduced self and presented an overview of the status report.

The status report for the Gaming Administrative Expenses Performance Audit, Division of Gaming, June 2018, was presented. There were no additional questions.

Management of Civil Rights Discrimination Complaints Performance Audit, August 2019

Ms. Bowers introduced self and staff.

Ms. Salazar (Department of Regulatory Agencies) introduced self, staff, and Deputy Attorney General Beall, representing the Commission, and presented an overview of the status report.

The status report for the Management of Civil Rights Discrimination Complaints Performance Audit, August 2019, was presented and discussed. Deputy Attorney General Beall presented a letter from the Commission presenting its position that it agrees with the Recommendations #2B and #2C, and that the Commission members will comply with new procedures.

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

Mr. Devlin introduced self and presented an overview of the status report.

Dr. Szczurek (OIT) introduced self and staff.

Ms. Blyth introduced self and presented additional remarks in regard to implementations.

The status report for HB17-1361 Evaluation Report: Evaluation of State IT Resources, November 2018, was presented, discussed, and further detail provided as to why some of the recommendations had not yet been implemented, including budget constraints, time required to implement enterprise systems, legacy systems, and OIT personnel time constraints. Major IT systems can take up to two years to go through the funding process and then an additional two to three years to implement systems; however, OIT does take steps to ensure systems are as secure as they can make them by putting in mitigating controls. It was requested that another meeting be scheduled to deal with OIT's lack of compliance with recommendations.

12:32 p.m.

Reports Released Without a Hearing

A motion was made to release the Reports Released Without a Hearing. The motion was seconded and the motion passed unanimously.

Ms. Hunter presented an overview of the reports.

12:36 p.m.

General Business: Legislative Audit Committee Letter to Boards and Commissions

A motion was made to approve the Legislative Audit Committee Letter to Boards and Commissions. The motion was seconded and the motion passed unanimously.

Hearing adjourned at 12:47 p.m.

Minutes submitted by:

Jayne Watson

Executive Assistant, Office of the State Auditor



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee December 9, 2019 (Revised January 14, 2020) Minutes

DIANNE E. RAY, CPA
—
STATE AUDITOR

December 9, 2019

A meeting of the Legislative Audit Committee (LAC) convened on December 9, 2019, at 10:00 a.m. in the Legislative Services Building, Audit Hearing Room B. Representative Lori Saine called the meeting to order. Roll was called with the following results:

Committee Members

Representative Susan Beckman, Senator Rhonda Fields (arrival 10:02 a.m.), Senator Joann Ginal, Representative Tracy Kraft-Tharp, Senator Paul Lundeen, Representative Dafna Michaelson Jenet, Senator Jim Smallwood, Representative Lori Saine (Chair)

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

OSA

Dianne E. Ray, State Auditor; Matt Devlin, Deputy State Auditor; Kerri Hunter, Deputy State Auditor, Cindi Radke, Terry Paulson, Lynn Obremski, Nina Frant, Monica Power, Brad Walcher, Marisa Edwards, Greg Fugate

Other Attendees

CliftonLarsonAllen LLP
Paul Niedermuller, Principal

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Colorado Department of Education

Dr. Katy Anthes, Commissioner of Education

Marcia Bohannon, Chief Information Officer

Corey Kispert, Chief Security Officer

Colorado State University

Joyce McConnell, President, Colorado State University

Lynn Johnson, Vice President University Operations and Chief Financial Officer, Colorado State University/Deputy Chief Financial Officer, Colorado State University System

David Ryan, Controller, Colorado State University

Henry Sobanet, Chief Financial Officer, Colorado State University System

Metropolitan State University of Denver

Dr. Janine Davidson, President

Dr. George Middlemist, Associate Vice President of Administration and Chief Financial Officer

Kevin Taylor, Associate Vice President of Information Technology and Chief Information Officer

Office of the State Controller

Robert Jaros, Colorado State Controller

Plante Moran, PLLC

Lisa Meachem, Partner

Rubin Brown

Matthew Marino, Partner

University of Northern Colorado

Michelle Quinn, Senior Vice President for Finance and Administration and Chief Financial Officer

Ashley Bishop, Controller

10:03 a.m.

Information Technology Audit of a Mission Critical System, IT Performance Audit, Colorado Department of Education, November 2019

Concern was raised about releasing the public portion of the audit. Discussion ensued about the audit as it related to sources and methods of data security at the Department of Education.

A motion was made to release the *Information Technology Audit of a Mission Critical System, IT Performance Audit, Colorado Department of Education, November 2019*. Representative Saine seconded the motion and the motion failed 7 - 1. The results were as follows:

Representative Beckman – No

Senator Fields – No

Senator Ginal – No

Representative Kraft-Tharp – No

Senator Lundeen – No

Representative Michaelson Jenet – No

Senator Smallwood – No

Representative Saine – Yes

Senator Lundeen made a motion to move to executive session for discussion of the *Information Technology Audit of a Mission Critical System, IT Performance Audit, Colorado Department of Education, November 2019*. Representative Michaelson Jenet seconded the motion and the motion passed unanimously.

10:10 a.m.

Meeting moved to Executive Session Pursuant to Sections 24-6-402(3)(a)(IV), C.R.S.

11:27 a.m.

Executive Session concluded.

Discussion ensued about implementing accelerated timelines and the importance of reprioritizing resources to ensure student data is protected. Additionally, within 6 months, the Department of Education was asked to provide a full report of all its policies.

It was also requested that the Office of the State Auditor develop policies around public and private audits.

11:30 a.m.

General Business:

Minutes

Representative Michaelson Jenet made a motion to approve the November 4 – 5, 2019, LAC hearing minutes. Representative Kraft-Tharp seconded the motion. The motion passed 6 - 0. Representative Beckman and Senator Ginal abstained.

Legislation

Permissible Uses of State-Owned Motor Vehicles Draft Bill

Ms. Frant introduced self, the bill drafter, and Mr. Jaros (Office of the State Controller).

Ms. Frant presented an overview of the legislation.

Senator Smallwood made a motion to move to bill paper. Representative Kraft-Tharp seconded the motion. A roll call vote was taken. The motion passed unanimously.

Primary sponsors: Senator Smallwood and Senator Fields, Representative Michaelson Jenet and ~~Representative Beckman~~ Representative Bockenfeld.

Co-Sponsors: Representatives Saine and Kraft-Tharp, Senators Lundeen and Ginal.

OSA Attorney–Client Privilege (Reporting Back from Stakeholders)

Auditor Ray presented a follow-up on the previously approved *OSA Attorney–Client Privilege* legislation. Auditor Ray is working with the AG on some language changes, and the Governor’s Office. Auditor Ray anticipates that another draft will be available at the January 14, 2020, LAC hearing for review.

Additional Discussion

Follow-up was requested on the State Treasurer’s notification procedures in regard to unclaimed property. Senator Smallwood made a motion to have the Office of the State Auditor draft a letter to the Treasurer’s office clarifying the notification process. Senator Fields seconded the motion and the motion passed unanimously. The draft letter is scheduled to be presented to the LAC by the January 14, 2020, hearing for approval.

Follow-up was requested on the State Fair, specifically the Fair's timeline to meet the recommendations presented during the November 4 – 5, 2019, LAC hearing, as well as the statute requirement to present an annual report by October 31 of each year. Representative Kraft-Tharp made a motion that the Office of the State Auditor draft a letter to the JBC requesting that funds be withheld from the State Fair until statutory requirements were met. Senator Fields seconded the motion. The motion passed unanimously. The draft letter is scheduled to be presented to the LAC by the January 14, 2020, hearing for approval.

LAC Suggestions for Addressing Unimplemented Audit Recommendations

Auditor Ray presented a list of the suggestions provided by the Committee at the November LAC hearing and asked if the committee wanted to take any action. There were no comments.

Investigation Request

Auditor Ray presented an overview of the request from Senator Lundeen and Representative Bockenfeld to investigate a previous administration's use of federal funds for legal services from the Jobs and Growth Tax Relief Reconciliation Act of 2003. General discussion ensued about federal funds received by state departments, noting that a financial audit is conducted each year that requires departments and agencies to report on each of these federal funds, amounts awarded, and amounts spent. This federal program was reported in 2003, 2004, and 2005.

Senator Fields made a motion to call for a vote on the *Investigation Request*. Representative Kraft-Tharp seconded the motion. A roll call vote was conducted. The motion failed on a split vote. The results are as follows:

Representative Beckman – Yes

Senator Fields – No

Senator Ginal – No

Representative Kraft-Tharp – No

Senator Lundeen – Yes

Representative Michaelson Jenet – No

Senator Smallwood – Yes

Representative Saine - Yes

12:17 p.m.

Recess

1:32 p.m.

Audits/Reports

Higher Education Financial Audits

State of Colorado, University of Northern Colorado, Financial and Compliance Audit, Years Ended June 30, 2019 and 2018

Representative Michaelson Janet made a motion to release the *State of Colorado, University of Northern Colorado, Financial and Compliance Audit, Years Ended June 30, 2019 and 2018*. Senator Ginal seconded the motion and the motion passed unanimously.

Ms. Hunter introduced self, staff, and contractor.

Ms. Quinn (University of Northern Colorado) introduced self and staff.

Mr. Marino (Rubin Brown) presented an overview of the report and Recommendation #1.

Recommendation #1 - Information Technology General Controls - Logical Access for Colorado Operations Resource Engine and Banner was summarized, indicating that it was agreed to by the University of Northern Colorado.

1:56 p.m.

Metropolitan State University of Denver, Financial and Compliance Audit, Years Ended June 30, 2019 and 2018

Senator Fields made a motion to release the *Metropolitan State University of Denver, Financial and Compliance Audit, Years Ended June 30, 2019 and 2018*. Senator Smallwood seconded the motion and the motion passed unanimously.

Ms. Hunter introduced self, staff, and contractor.

Dr. Davidson (Metropolitan State University) introduced self and staff.

Ms. Meachem (Plante Moran, PLLC) presented an overview of the report and Recommendations #1 - #3

Discussion ensued regarding statements of net position and it was noted that the statements do not indicate if the bonds and long-term debt are part of the state intercept program.

Recommendation #1 - Information Technology General Controls – Banner Information Security

Recommendation #2 - Information Technology General Controls – Change Management for Banner

Recommendation #3 - Information Technology General Controls – IT Operations Controls for Endpoint Protection and Vulnerability Management were all summarized, indicating that the University agreed with all three recommendations.

Discussion ensued regarding the portion of student debt that was considered uncollectible. The University clarified that uncollectible student debt was approximately 2 percent. Further discussion centered on decreased enrollment and increased staffing. The University noted that enrollment fluctuates with the unemployment rate in Colorado and that they have a 26:1 student to staff ratio.

Dr. Davidson provided closing comments.

2:25 p.m.

Colorado State University System, Financial Statements and Independent Auditors' Reports, Financial Audit Years Ended June 30, 2019 and 2018 and Compliance Audit, Year Ended June 30, 2019

Senator Ginal made a motion to release the *Colorado State University System, Financial Statements and Independent Auditors' Reports, Financial Audit Years Ended June 30, 2019 and 2018 and Compliance Audit, Year Ended June 30, 2019*. Senator Lundeen seconded the motion and the motion passed unanimously.

Ms. Hunter introduced self, staff, and contractor.

Ms. McConnell (Colorado State University) introduced self and staff.

Mr. Niedermuller (CliftonLarsonAllen, LLP) presented an overview of the report.

There were no significant findings or recommendations.

Ms. McConnell provided closing statements.

2:53 p.m.

General Business:

OSA Annual Report

Mr. Fugate presented an overview of the *OSA Annual Report*.

Session Calendar for Approval

Senator Fields made a motion to approve the *Session Calendar*. Representative Michaelson Jenet seconded the motion and the motion passed unanimously.

Procedures for January Election of Vice Chair

Auditor Ray presented an overview of the *Procedures for January Election of Vice Chair*. The next Vice Chair will be a Democrat from the House and the next Chair will be Representative Saine.

3:00 p.m.

Reports Released Without a Hearing

Representative Michaelson Jenet made a motion to release the *Reports Released Without a Hearing*. The motion was seconded by Representative Beckman and the motion passed unanimously.

Ms. Hunter presented an overview of the reports.

3:03 p.m.

Information Only

No action required.

Hearing adjourned at 3:04 p.m.

Minutes submitted by:

Jayne Watson

Executive Assistant, Office of the State Auditor