



OFFICE OF THE STATE AUDITOR



September 25, 2019

DIANNE E. RAY, CPA
—
STATE AUDITOR

GAMING ADMINISTRATIVE EXPENSES PERFORMANCE AUDIT – STATUS REPORT

Members of the Legislative Audit Committee:

Attached are status reports from the Colorado Limited Gaming Control Commission (Commission) and the Division of Gaming (Division) within the Department of Revenue on the implementation of recommendations contained in the Office of the State Auditor's *Gaming Administrative Expenses Performance Audit*.

OSA REVIEW OF DOCUMENTATION

As part of the status report process, we requested and received supporting documentation for each recommendation reported as having been implemented. Specifically, we reviewed the following documentation:

- Proposed language for Exhibit B of the Commission's interagency agreements, related to performance measures.
- Proposed language for Exhibit C of the Commission's interagency agreements, related to budget requests.
- Commission policies related to budget submission and contract management, revised July 2019.
- Division policy ADM-7 related to management of interagency agreements, revised June 2019.

Based on our review, the supporting documentation substantiates the Commission's and the Division's reported implementation status.

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September 13, 2019

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

Dear Auditor Ray:

In response to your request, we have prepared the attached status report on the implementation status of audit recommendations contained in the *Gaming Administrative Expenses Performance Audit*. The report provides a brief explanation of the actions taken by the Colorado Limited Gaming Control Commission to implement each recommendation.

In the past 45 days, our Commission and Division leadership has changed drastically. I have been elected the new Chair of the CLGCC and we also have two new Commissioners. The Division also experienced a change in leadership, with Dan Hartman being named as the new Director. Due to these circumstances, we have adjusted some of the implementation dates. We are working diligently to move forward with the implementation of the audit recommendations.

If you have any questions about this status report and the Gaming Commission's efforts to implement the audit recommendations, please contact Dan Hartman at 303-205-1335 or dan.hartman@state.co.us.

Sincerely,

A handwritten signature in black ink, appearing to be 'Lori Albert', with a long horizontal flourish extending to the right.

Lori Albert, Chair
Colorado Limited Gaming Control Commission

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME	Gaming Administrative Expenses
AUDIT NUMBER	1755P
AGENCY	Colorado Limited Gaming Control Commission
DATE OF STATUS REPORT	September 13, 2019

SECTION I: SUMMARY

REC. NUMBER	AGENCY'S RESPONSE	ORIGINAL IMPLEMENTATION DATE	CURRENT IMPLEMENTATION STATUS	CURRENT IMPLEMENTATION DATE
1A	Agree	July 2018	Partially Implemented	December 2019
1B	Agree	April 2019	Partially Implemented	December 2019
1C	Agree	April 2019	Partially Implemented	December 2019
1D	Agree	April 2019	Partially Implemented	December 2019
1E	Agree	May 2018	Implemented	July 2019
2A	Agree	May 2018	Implemented	July 2019
2B	Agree	July 2018	Implemented	June 2019

SECTION II: NARRATIVE DETAIL

RECOMMENDATION 1A

The Colorado Limited Gaming Control Commission (Commission) should strengthen its budgeting for and establishment of agreements with other state agencies for gaming administration by:

A Implementing a requirement for agencies to align their budget requests submitted to the Commission with those submitted to the Joint Budget Committee (JBC) and provide supporting documentation, in accordance with the Commission's rule that there should be coordination between an agency's state budget request, as submitted to the JBC, and a budget request submitted to the Commission.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	December 2019
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AGENCY UPDATE

Proposed amendments to the Inter-Governmental Agreements (IGAs) with the agencies are currently being finalized and will include Exhibit C - Budget Narrative Requirements; Item #4 "Per Commission policy, there should be coordination between an agency's state budget request, as submitted to the JBC, and a budget request submitted to the Commission. Reconcile the agency's budget request to the amounts submitted for the Joint Budget Committee and Long Bill, providing support for the reconciliation. Any differences must be clearly documented and justified" under Budget Preparation. Pending approval by the Limited Gaming Control Commission at the November 2019 Commission meeting.

RECOMMENDATION 1B

The Colorado Limited Gaming Control Commission (Commission) should strengthen its budgeting for and establishment of agreements with other state agencies for gaming administration by:

B Implementing a process for the Commission to consider other sources of funding as part of the budget request in accordance with its rule specifying that in determining whether to fund any service the Commission shall consider the agency’s ability to secure funding from other sources including the General Assembly.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	December 2019
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AGENCY UPDATE

Proposed amendments to the IGAs with the agencies are currently being finalized to include exhibit C – Budget Narrative Requirements; Item #5 “Identify all other available sources of funding and describe the agency’s efforts to secure funding from those sources, including the General Fund” under Budget Preparation. Pending approval by the Limited Gaming Control Commission at the November 2019 Commission meeting.

RECOMMENDATION 1C

The Colorado Limited Gaming Control Commission (Commission) should strengthen its budgeting for and establishment of agreements with other state agencies for gaming administration by:

C Enforcing requirements for agencies to provide projections of the activities they will perform for requested funding as stipulated in the interagency agreements.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	December 2019
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AGENCY UPDATE

Proposed amendments to the IGAs with the agencies are currently being finalized. To include Exhibit B – Performance Measures. These projections of activities were developed by each respective agency. Pending approval by the Limited Gaming Control Commission at the October or November 2019 Commission meeting.

RECOMMENDATION 1D

The Colorado Limited Gaming Control Commission (Commission) should strengthen its budgeting for and establishment of agreements with other state agencies for gaming administration by:

D Ensuring that agreements include specific descriptions of services and measures of performance under the agreement in accordance with the Commission rule requiring that the interagency agreements list the specific duties to be performed and with State Controller policy requiring agreements to describe the services to be performed and the performance standards to be met through the agreement.

CURRENT IMPLEMENTATION STATUS	Partially Implemented	CURRENT IMPLEMENTATION DATE	December 2019
AGENCY UPDATE			
Proposed amendments to the IGAs with the agencies are currently being finalized – To include Exhibit B – Performance Measures. The agreements will include a description of services pending approval by the Limited Gaming Control Commission at the November 2019 Commission meeting.			

RECOMMENDATION 1E			
The Colorado Limited Gaming Control Commission (Commission) should strengthen its budgeting for and establishment of agreements with other state agencies for gaming administration by:			
E Implementing controls to ensure that agreements are amended when expectations change in accordance with the State Fiscal Rule requirement that any modifications to written agreements be documented in formal written amendments.			
CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	July 2019
AGENCY UPDATE			
The Division has updated its internal policy, ADM-7 Management of Interagency Agreements with State Agencies, which has been amended to include controls for ensuring contract modifications are documented in formal written amendments. Commission Policy 96-01 has been revised to be consistent with Division Policy ADM-7 making the Gaming Division Director the contract manager for the IGAs. This Commission policy 96-01 was approved by the Commission at the July Commission meeting.			

RECOMMENDATION 2A			
The Colorado Limited Gaming Control Commission (Commission) and Division of Gaming (Division) should improve monitoring of the interagency agreements for compliance by:			
A Assigning a staff member to serve as the contract manager who is responsible for reviewing reports from the agencies, enforcing compliance with the agreements, and approving payments.			
CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	July 2019
AGENCY UPDATE			
The Division has updated its internal policy, ADM-7 Management of Interagency Agreements with State Agencies, to, in part, designate a Contract Manager and outline its responsibilities. Commission Policy 96-01 has been revised to be consistent with Division Policy ADM-7 making the Gaming Division Director the contract manager for the IGAs. This policy was approved by the Commission at the July Commission meeting.			

RECOMMENDATION 2B

The Colorado Limited Gaming Control Commission (Commission) and Division of Gaming (Division) should improve monitoring of the interagency agreements for compliance by:

B Developing written policies and procedures that explain how staff should report to the Commission regarding their monitoring efforts.

CURRENT
IMPLEMENTATION
STATUS

Implemented

CURRENT
IMPLEMENTATION
DATE

June 2019

AGENCY UPDATE

The Division has updated its internal policy, ADM-7 Management of Interagency Agreements with State Agencies, to, in part; outline the process for reporting contract monitoring efforts and outcomes to the Commission.



COLORADO
Department of Revenue
Enforcement Division – Gaming

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September 13, 2019

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

Dear Auditor Ray:

In response to your request, we have prepared the attached status report on the implementation status of audit recommendations contained in the *Gaming Administrative Expenses Performance Audit*. The report provides a brief explanation of the actions taken by the Division of Gaming, Department of Revenue, to implement each recommendation.

In the past 45 days, our Commission and Division leadership has changed drastically. I have been selected as the Director for the Division of Gaming. We also have a new Chair of the CLGCC, Lori Albert, along with two new Commissioners. Due to these circumstances, we have adjusted some of the implementation dates. We are working diligently to move forward with the implementation of the audit recommendations.

If you have any questions about this status report and the Division of Gaming's efforts to implement the audit recommendations, please contact Dan Hartman at 303-205-1335 or dan.hartman@state.co.us.

Sincerely,

Dan Hartman, Director
Division of Gaming

RECOMMENDATION STATUS REPORT

AUDIT NAME	Gaming Administrative Expenses
AUDIT NUMBER	1755P
AGENCY	Division of Gaming
DATE OF STATUS REPORT	September 13, 2019

SECTION I: SUMMARY

REC. NUMBER	AGENCY'S RESPONSE	ORIGINAL IMPLEMENTATION DATE	CURRENT IMPLEMENTATION STATUS	CURRENT IMPLEMENTATION DATE
2A	Agree	May 2018	Implemented	July 2019
2B	Agree	July 2018	Implemented	July 2019

SECTION II: NARRATIVE DETAIL

RECOMMENDATION 2A

The Colorado Limited Gaming Control Commission (Commission) and Division of Gaming (Division) should improve monitoring of the interagency agreements for compliance by:

A Assigning a staff member to serve as the contract manager who is responsible for reviewing reports from the agencies, enforcing compliance with the agreements, and approving payments.

CURRENT IMPLEMENTATION STATUS	Implemented	CURRENT IMPLEMENTATION DATE	July 2019
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AGENCY UPDATE

The Division of Gaming has updated its internal policy, ADM-7 Management of Interagency Agreements with State Agencies, to, in part, designate a Contract Manager and outline its responsibilities and presented recommended changes to Commission policy 96-01. The policy was adopted in July 2019 to note "The Division of Gaming Director or designee, is the designated Contract Manager for all interagency agreements, and shall monitor compliance and approve payment as required by those agreements. If changes to any of the agreements are required, the Director will inform the Commission."

RECOMMENDATION 2B

The Colorado Limited Gaming Control Commission (Commission) and Division of Gaming (Division) should improve monitoring of the interagency agreements for compliance by:

B Developing written policies and procedures that explain how staff should report to the Commission regarding their monitoring efforts.

CURRENT
IMPLEMENTATION
STATUS

Implemented

CURRENT
IMPLEMENTATION
DATE

July 2019

AGENCY UPDATE

The Division has updated its internal policy, ADM-7 Management of Interagency Agreements with State Agencies, to, in part; outline the process for reporting contract monitoring efforts and outcomes to the Commission. The Director is charged with reporting to the Commission and will be charged with monitoring the reports for compliance of the performance measures.