



OFFICE OF THE STATE AUDITOR



Legislative Audit Committee January 28, 2020 Minutes

DIANNE E. RAY, CPA
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STATE AUDITOR

January 28, 2020

A meeting of the Legislative Audit Committee (LAC) convened on January 28, 2020, at 7:03 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 Bockenfeld (arrival 7:15 a.m.), Senator Rhonda Fields (arrival 7:46 a.m.), Representative Tracy Kraft-Tharp, Senator Paul Lundeen (arrival 7:04 a.m.), Senator Jim Smallwood, Senator Nancy Todd, Representative Dafna Michaelson Jenet (Vice-Chair), Representative Lori Saine (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, Derek Johnson, Tessa Mauer, Cariann Ryan

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Other Attendees

Department of Natural Resources

Dan Gibbs, Executive Director

Ginny Brannon, Director, Division of Reclamation and Mining Safety

Jeff Robbins, Director, Colorado Oil and Gas Conservation Commission

Department of Revenue

Brendon Reese, Acting Senior Director, Division of Taxation

Eric Myers, Director, Taxpayer Services

Bharat Parmar, Managing Director, Field Audit

Speaker KC Becker

7:03 a.m.

Severance Taxes Performance Audit, Department of Natural Resources, Department of Revenue, January 2020

Representative Michaelson Jenet made a motion to release the *Severance Taxes Performance Audit, Department of Natural Resources, Department of Revenue, January 2020*. Senator Smallwood seconded the motion and the motion passed unanimously.

Ms. Bowers introduced self and staff.

Mr. Gibbs (*Department of Natural Resources*) introduced self and staff.

Mr. Reese (*Department of Revenue*) introduced self and staff.

Ms. Colin presented an overview of Chapter 1, Overview of Severance Tax.

Ms. Ryan presented an overview of Chapter 2 and Recommendation #1, Oil and Gas Reporting. The Department agreed with all parts of the recommendation. Discussion ensued regarding penalties for delinquent reports and severance taxes that may have been lost due to missing or delinquent reports, the lack of a mechanism to go back to determine what taxes could have been missed from missing reports, and ensuring compliance with production reporting requirements going forward.

Ms. Ryan presented an overview of Recommendation #2, Oil and Gas Production Measurement. The Commission agreed with the audit recommendation. Discussion ensued regarding calibration of equipment, if equipment was out of calibration, and if there was an adjustment to capture lost revenue.

Ms. Mauer presented an overview of Recommendation #3, Mining Reporting. The Department agreed with both parts of the recommendation. Discussion ensued regarding the annual reporting requirements of mine operators and the Division of Reclamation, Mining, and Safety (DRMS). LAC members set a new deadline of July 2020 for the DRMS to produce its annual report.

Ms. Mauer presented an overview of Recommendations #4 and #5, Tax Processing and Audit. The Department agreed with Recommendation #4, and the Commission agreed with Recommendation #5.

Mr. Johnson provided an overview of Chapter 3, Colorado's Severance Tax System.

8:54 a.m.

General Business:

Minutes

The approval of the January 14, 2020, minutes was moved to the next LAC hearing on February 25, 2020.

OSA Fiscal Year 2021 Proposed Budget

Auditor Ray presented an overview of the budget.

Representative Michaelson Jenet made a motion to approve the *OSA Fiscal Year 2021 Budget* with authorization to make any changes as prescribed by the Executive Committee or the Joint Budget Committee. Senator Lundeen seconded the motion and the motion passed unanimously.

8:55 a.m.

Reports Released Without a Hearing

Representative Michaelson Jenet made a motion to release the *Reports Released Without a Hearing*. Senator Lundeen seconded the motion and the motion passed unanimously.

Ms. Hunter presented an overview of the reports.

Hearing adjourned at 8:57 a.m.

Minutes submitted by:

Jayne Watson

Executive Assistant, Office of the State Auditor