



# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee

January 12, 2016

### Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on January 12, 2016, at 7:05 a.m., in the Legislative Services Building, Audit Committee Hearing Room. Chair Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Carroll, Senator Holbert, Senator Jahn, Senator Neville, Representative Nordberg, Representative Primavera, Representative Ryden, Representative Saine (arrived 7:23 a.m.)

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

**OTHER LEGISLATORS PRESENT:** Representative Tracy Kraft-Tharp, Senator Lucia Guzman

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Kerri Hunter, Matt Devlin, Monica Bowers, Deputy State Auditors; Scott Reid, Michelle Colin, Trey Standley, Christopher Harless

**AGENCY STAFF PRESENT:** Don Brown, Chris Wiseman, Joy Huse, Department of Agriculture; Kimberly Temple, Wall, Smith, Bateman, Inc.; Fiona Arnold, Jeff Kraft, Office of Economic Development and International Trade; Andy Karsian, Colorado Department of Transportation; Ross Kimbrel, Department of Corrections; Eric Myers, Philip Horwitz, Department of Revenue; Jason Gelender, Jeremiah Barry, Esther van Mourik, Office of Legislative Legal Services

DIANNE E. RAY, CPA  
STATE AUDITOR

**7:05 a.m. GENERAL BUSINESS**

**Election of Vice-Chair**

A motion was made by Chair Nordberg and seconded by Senator Carroll to nominate Representative Ryden as Vice-Chair of the LAC. The motion passed by a vote of 7-0.

**Chair Recognition**

Chair Nordberg presented a recognition award to Senator Lucia Guzman for her service as Chair of the LAC, from July 2014 to December 2015.

**7:11 a.m. – Colorado State Fair Authority**  
**7:57 a.m. Financial and Compliance Audit**  
**Fiscal Years Ended June 30, 2015 and 2014**

A motion was made by Senator Holbert and seconded by Senator Neville to release the *Colorado State Fair Authority, Financial and Compliance Audit, Fiscal Years Ended June 30, 2015 and 2014*. The motion passed by a vote of 7-0.

Following introductions and opening remarks, Kerri Hunter, Scott Reid, and Kimberly Temple provided an overview of the audit.

**7:23 a.m.** Representative Saine arrived.

Recommendation 1 was reviewed, discussed, and agreed to by staff from the Colorado State Fair Authority (State Fair). Further discussion ensued regarding how other state fairs are subsidized, fair associations in which the State Fair participates, the decline in contributions from the city of Pueblo, and non-fair events held throughout the year at the State Fairgrounds.

Recommendation 2 was reviewed, discussed, and agreed to by staff from the State Fair. Further discussion ensued regarding the unreconciled \$2.6 million in payroll expenses and the annual budget process. For Fiscal Year 2017, the State Fair requested \$750,000 from the General Fund.

7:57 a.m.      **GENERAL BUSINESS**

**Minutes**

A motion was made by Senator Jahn and seconded by Vice-Chair Ryden to approve the Minutes from December 7-8, 2015. The motion passed by a vote of 8-0.

**Enterprise Zone Annual Report, State Fiscal Year 2015**

Fiona Arnold, Executive Director, Office of Economic Development and International Trade (OEDIT), provided an overview of the report. OEDIT provided an overview of a handout showing the 2016 Colorado Enterprise Zones (EZ) map. Further discussion ensued regarding how the EZ program may benefit the State Fair.

**Legislation Discussion**

Michelle Colin and Matt Devlin provided an overview of Bill Draft LLS No. 16-0239.01, *Concerning the Reestablishment of a Standing Efficiency and Accountability Committee (EAC) by the State Transportation Commission, and, in Connection Therewith, Expanding the Membership and Responsibilities of the Committee.*

Further discussion ensued regarding conflicts of interest concerns for the EAC citizen members and the need for a sunset provision. The Committee requested that the Bill Draft be further discussed at the January 26, 2016, LAC hearing.

Trey Standley and Monica Bowers provided an overview of Bill Draft LLS No. 16-0792.01, *Concerning Implementing Recommendations of the State Auditor's Office by Establishing the Authority of the Correctional Education Program (Program) to Sell Inmate-Produced Products to Specified Persons.*

A motion was made by Representative Primavera and seconded by Senator Jahn to amend the Bill Draft and add a Safety Clause. The motion passed by a vote of 8-0.

A motion was made by Senator Jahn and seconded by Representative Primavera to move the Bill Draft to Bill Paper with the Safety Clause.

A motion was made by Senator Carroll and seconded by Chair Nordberg to amend the Bill Draft and add a provision to require an annual reporting mechanism on compliance with the Bill Draft and the number and outcome of complaints of unfair competition with private businesses. The motion passed by a vote of 8-0.

A motion was made by Vice-Chair Ryden and seconded by Senator Jahn to amend the Bill Draft and add language to allow the Program to sell goods and services near market price OR prices similar to goods and services sold through the Colorado Community College System. The motion passed by a vote of 8-0.

Senator Jahn amended her motion to include the two additional amendments. The motion passed by a vote of 8-0.

The Bill will start in the Senate.

Sponsors:                 Senator Jahn  
                                  Representative Primavera

Co-Sponsors:           Representatives Ryden and Nordberg

Christopher Harless, Ph.D., and Ms. Bowers provided an overview of Bill Draft LLS No. 16-0796.01, *Concerning a Hold Harmless Provision for Retailers Liable for any Money Payable as a Result of an Incorrect Location Code Assigned by the Department of Revenue.*

The Department of Revenue (DOR) stated that it did not have a position on the Bill Draft, but can administer the Bill Draft as written. Further discussion ensued regarding Section 29-2-106(4)(b), C.R.S., and whether or not the State would be responsible for reimbursing local jurisdictions even when an incorrectly registered business is held harmless.

A motion was made by Representative Saine and seconded by Senator Neville to move the Bill Draft to Bill Paper.

A motion was made by Chair Nordberg and seconded by Representative Saine to maintain the Safety Clause in the Bill Draft. The motion passed by a vote of 8-0.

Representative Saine amended her motion to move the Bill Draft to Bill Paper and maintain the Safety Clause. The motion passed by a vote of 8-0.

The Bill will start in the Senate.

Sponsors: Senators Neville and Jahn  
Representatives Saine and Ryden

Co-Sponsors: Representatives Nordberg, Primavera, and Kraft-Tharp  
Senator Carroll

State Auditor Dianne E. Ray provided an overview of Bill Draft LLS No. 16-0793.01, *Concerning a Modification of the Dates on Which the Required Performance Audits of Certain Governmental Entities are Due*.

A motion was made by Vice-Chair Ryden and seconded by Chair Nordberg to move the Bill Draft to Bill Paper. The motion passed by a vote of 8-0.

The Bill will start in the House.

Sponsors: Representatives Nordberg and Ryden  
Senator Holbert

Co-Sponsors: Representative Saine  
Senator Jahn

### **Audit Request**

State Auditor Ray presented a request submitted by Representatives Nordberg and Saine and Senators Holbert and Neville for a full performance audit of Connect for Health Colorado (C4HC). She requested the Committee's approval to begin conducting initial research to determine the potential scope of this audit.

Further discussion ensued regarding the *Colorado Health Insurance Benefits Exchange: Connect For Health Colorado, Limited Performance Audit* (October 2014), which was limited in scope because the OSA had limited statutory authority, and Senate Bill 15-019 which was signed into law after the audit was released and expanded OSA's statutory authority to conduct full performance audits of C4HC but did not require a new audit.

The Committee requested that the initial research includes information on the period that would be audited, expectations for the next audit, and delivery of service issues from the December 2014 audit. Further, the Committee inquired if there are any gaps and redundancies in the work of other C4HC oversight jurisdictions which may or may not impact the scope of the OSA audit work.

A motion was made by Chair Nordberg and seconded by Representative Saine to authorize the OSA to conduct initial research on C4HC. The motion passed by a vote of 8-0.

#### **LAC Rule II. Election of Officers – Duties (Amendment)**

State Auditor Ray provided an overview of the proposed amendment to *LAC Rule II*.

*If the Chair resigns or permanently leaves the Committee, the Vice-Chair shall immediately succeed to the Chair. The Committee shall elect, at the next regularly scheduled meeting, a new Vice-Chair from its membership using the party and chamber rotation as prescribed in rule for the next January election. The new Chair and Vice-Chair will continue in their respective positions until the next January following one year of service.*

*If the Vice-Chair resigns or permanently leaves the Committee, the Committee shall elect, at the next regularly scheduled meeting, a new Vice-Chair from its membership from the same party and chamber as the previous Vice-Chair to finish the term and succeed to the Chair the next January.*

A motion was made by Senator Holbert and seconded by Senator Neville to adopt the amendment to *LAC Rule II*. The motion passed by a vote of 8-0.

#### **Reports Released Without a Hearing**

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

- Adams State University, Financial and Compliance Audit, Fiscal Years Ended June 30, 2015 and 2014
- Colorado State University, Independent Accountants' Report on the Application of Agreed-Upon Procedures (NCAA Procedures), Year Ended June 30, 2015





# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee

January 26, 2016

### Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on January 26, 2016, at 7:02 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Carroll, Senator Holbert, Senator Jahn, Senator Neville, Representative Nordberg, Representative Primavera (arrived 7:06 a.m.), Representative Ryden, Representative Saine

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

**OTHER LEGISLATOR PRESENT:** Representative Tracy Kraft-Tharp

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Matt Devlin, Kerri Hunter, Deputy State Auditors; Nina Frant, Kara Trim, Michelle Colin, Andrew Knauer

**AGENCY STAFF PRESENT:** Dr. Larry Wolk, Rachel Herlihy, Colorado Department of Public Health and Environment; Jason Gelender, Esther van Mourik, Office of Legislative Legal Services

DIANNE E. RAY, CPA  
STATE AUDITOR

**7:02 a.m. – Immunization Program – Use of Tobacco Settlement Funds**  
**7:57 a.m. Department of Public Health and Environment**  
**Performance Audit, January 2016**

A motion was made by Representative Saine and seconded by Senator Holbert to release the *Immunization Program – Use of Tobacco Settlement Funds, Department of Public Health and Environment, Performance Audit* (January 2016). The motion passed by a vote of 7-0.

Following introductions and opening remarks, Monica Bowers, Nina Frant, and Kara Trim provided an overview of the audit.

**7:06 a.m.** Representative Primavera arrived.

Recommendation 1 was reviewed, discussed, and agreed to by staff from the Colorado Department of Public Health and Environment (CDPHE). Further discussion ensued regarding the three CDPHE staff who served on the Board of Directors of the nonprofit immunization coalition which CDPHE contracts with, creating conflicts of interest, and steps CDPHE has taken to address this issue and ensure similar issues do not occur throughout the Department.

Recommendation 2 was reviewed, discussed, and agreed to by staff from CDPHE. Further discussion ensued regarding the CDPHE procurement process, review of department contracts by the Office of the State Controller, and amendments to the vendor contract that increased the financial obligation of the State from \$235,000 to \$1.1 million.

Recommendation 3 was reviewed, discussed, and agreed to by staff from CDPHE. CDPHE assured the Committee that the necessary actions were taken to address the conflicts of interest discussed in the audit.

Ms. Trim reviewed the policy considerations from the audit. CDPHE stated that it is currently seeking legislation to “clean up” statute regarding the school entry immunization requirements and the role of CDPHE.

**7:57 a.m. GENERAL BUSINESS**

### **Minutes**

A motion was made by Senator Holbert and seconded by Representative Saine to approve the Minutes from January 12, 2016. The motion passed by a vote of 8-0.

## 2016 SMART Government Act Audit Plan

Ms. Bowers provided an overview of the 2016 SMART Government Act Audit Plan. A motion was made by Senator Holbert and seconded by Representative Ryden to adopt the Audit Plan. The motion passed by a vote of 8-0.

## Legislation Discussion

Matt Devlin, Michelle Colin, and Jason Gelender, Senior Attorney, Office of Legislative Legal Services, provided an overview of the revised Bill Draft LLS No. 16-0239.01, *Concerning the Reestablishment of a Standing Efficiency and Accountability Committee (EAC) by the State Transportation Commission, and, in Connection Therewith, Expanding the Membership and Responsibilities of the Committee*. Further discussion ensued regarding how the EAC would ensure there are no conflicts of interest.

A motion was made by Representative Saine and seconded by Senator Holbert to move the revised Bill Draft to Bill Paper. The motion passed by a vote of 8-0.

The Bill will start in the House.

Sponsors:                   Representatives Saine and Primavera  
                                      Senators Holbert and Neville

Co-Sponsors:           Representatives Nordberg and Ryden  
                                      Senators Carroll and Jahn

Ms. Bowers and Andrew Knauer provided an overview of the proposed amendments to Bill Draft LLS No. 16-0453.01., *Concerning the Administration of the Property Tax Exemptions for Qualifying Seniors and Disabled Veterans*:

- (1) Specify that information sharing between the Property Tax Administrator (Administrator) and CDPHE will be for the purposes of identifying any individuals who have died since they last received the tax exemption;
- (2) Clarify the information sharing role of the Department of Revenue (DOR) by explaining that the Administrator will request information from DOR pertaining only to those individuals who have applied for the tax exemption, and that DOR will only share certain information regarding those individuals with the Administrator;

- (3) Delay the changes to certain application and notification deadlines associated with the Senior and Disabled Veteran Property Tax Exemption Program until 2017 to ensure that the deadlines contained in the property tax notices mailed to property owners for the current tax year remain in effect;
- (4) Include the requirement for county clerks and recorders to give notice of County Board of Equalization hearings for property tax exemption denials in the changes to deadlines that will take effect in 2017.

A motion was made by Representative Primavera and seconded by Representative Ryden to adopt the amendments. The motion passed by a vote of 8-0. The Bill Draft was previously moved to Bill Paper at the December 8, 2015, LAC hearing: there were no changes to the sponsorship of the Bill.

Esther van Mourik, Senior Attorney, Office of Legislative Legal Services, provided an overview of two proposed amendments to Senate Bill 16-050, *Concerning a Hold Harmless Provision for Retailers Liable for any Money Payable as a Result of an Incorrect Location Code Assigned by the Department of Revenue*:

- (1) Amend the requirement for business addresses to conform to the United States Postal Service's address database, and instead require that "retailers provide an address that correctly indicates the location of the business".
- (2) Clarify that this bill will apply to the current and "any successor system used by DOR to identify the local sales taxes that a retailer is required to collect and remit based on the business location".

The Committee consented to the amendments.

#### **Other Business**

State Auditor Dianne E. Ray stated that the initial research for the audit request on Connect for Health Colorado (C4HC), as approved at the January 12, 2016, LAC hearing, will be ready and presented at the February 9, 2016, LAC hearing. Further, she stated that the OSA will post information about the audit request on the OSA website.

A motion was made by Representative Primavera and seconded by Representative Ryden to request that the OSA draft a letter to the Department of Personnel & Administration urging further guidance to departments in the Procurement Code of Ethics and Guidelines regarding conflicts of interest. The motion passed by a vote of 8-0. The letter will be brought to the Committee for approval at the February 9, 2016, LAC hearing.

### **Reports Released Without a Hearing**

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

- Colorado Department of Transportation's Bridge Enterprise, Financial Statements and Independent Auditor's Reports, Financial Audit, Years Ended June 30, 2015 and 2014, Compliance Audit, Year Ended June 30, 2015
- Colorado High Performance Transportation Enterprise, Financial Statements and Independent Auditor's Reports, Financial Audit Years Ended June 30, 2015 and 2014, Compliance Audit Year Ended June 30, 2015
- Division of Gaming, Department of Revenue, State of Colorado, Financial Statements, Independent Auditors' Report and Supplementary Information, Years Ended June 30, 2015 and 2014
- Legislative Department, State of Colorado, Compliance Audit, Financial Statements, and Report of Independent Certified Public Accountants, For the Years Ended June 30, 2015 and 2014
- School Capital Construction Report, Informational Report, January 2016

The motion passed by a vote of 8-0.

Kerri Hunter provided an overview of the audits.

**8:18 a.m.** There being no further business to come before the LAC, the meeting adjourned. The next scheduled hearing is on February 9, 2016, 8:00 a.m., in the Hearing Room B (Audit Hearing Room), Legislative Services Building.

Minutes submitted by: Brittany Wirth  
Executive Assistant to the State Auditor  
Office of the State Auditor



# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee

February 9, 2016

### Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on February 9, 2016, at 8:08 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Vice-Chair Ryden called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Carroll, Senator Holbert, Senator Jahn, Senator Neville, Representative Nordberg (arrived 8:11 a.m.), Representative Primavera, Representative Ryden, Representative Saine

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

**OTHER LEGISLATOR PRESENT:** Representative Tracy Kraft-Tharp

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

**AGENCY STAFF PRESENT:** Jed Ziegenhagen, Rhyann Lubitz, Department of Health Care Policy and Finance

**8:08 a.m. GENERAL BUSINESS**

### Minutes

A motion was made by Senator Holbert and seconded by Representative Saine to approve the Minutes from January 26, 2016. The motion passed by a vote of 7-0.

DIANNE E. RAY, CPA  
STATE AUDITOR

8:11 a.m. Chair Nordberg arrived.

### **Status Report**

Following introductions and opening remarks, Trey Standley reviewed highlights from the *Consumer-Directed Attendant Support Services, Department of Health Care Policy and Financing, Performance Audit* (May 2015). Further discussion ensued regarding the audit's data sampling methods and inquiries as to why the Department of Health Care Policy and Financing (HCPF) did not request funding to conduct the comprehensive analysis of the Consumer-Directed Attendant Support Services (CDASS) Program as agreed to in Recommendation 4.

HCPF provided an overview of the implementation status of recommendations addressed to the CDASS Program. Further discussion ensued regarding controls on client-purchased care and HCPF's intent to seek grant monies to conduct the comprehensive analysis, in lieu of a budget request.

### **Audit Request**

Monica Bowers provided an overview of the evaluation for a request for an audit related to Connect for Health Colorado (C4HC). A motion was made by Representative Saine and seconded by Senator Neville to approve the request for an audit of C4HC. The motion passed by a vote of 8-0.

### **Letter to the Department of Personnel & Administration Regarding Conflicts of Interest**

State Auditor Dianne E. Ray provided an overview of the letter to the Department of Personnel & Administration regarding conflicts of interest as requested by the Committee at the January 26, 2016, LAC hearing. A motion was made by Senator Holbert and seconded by Senator Jahn to approve the letter. The motion passed by a vote of 8-0.

### **Fiscal Year 2016 Office of the State Auditor Proposed Budget**

State Auditor Ray provided an overview of the Fiscal Year 2016 OSA proposed budget and the creation of the OSA Wellness Program. A motion was made by Senator Holbert and seconded by Representative Saine to approve the proposed budget and move it forward to the Executive Committee with authorization to make changes as prescribed by the Executive Committee or the Joint Budget Committee. The motion passed by a vote of 8-0.

### **Reports Released Without a Hearing**

A motion was made by Senator Holbert and seconded by Senator Neville to release:

- Bruce McCandless Colorado State Veterans Community Living Center-Florence, Financial Statements with Independent Auditors' Reports, Year Ended June 30, 2015
- Colorado Community College System, Financial Statements and Compliance Audit, Year Ended June 30, 2015 (With Independent Auditors' Reports Thereon)
- Statement of Federal Land Payments, Federal Fiscal Year Ended September 30, 2015, Department of Treasury, Financial Audit (February 2016)

The motion passed by a vote of 8-0.

Kerri Hunter provided an overview of the audits.

**9:02 a.m.** There being no further business to come before the LAC, the meeting adjourned. The next scheduled hearing is on February 23, 2016, at 8:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building.

Minutes submitted by:                      Brittany Wirth  
Executive Assistant to the State Auditor  
Office of the State Auditor



# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee

February 23, 2016

### Minutes

DIANNE E. RAY, CPA  
—  
STATE AUDITOR

A meeting of the Legislative Audit Committee (LAC) was convened on February 23, 2016, at 8:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Holbert (arrived at 8:16 a.m.), Senator Jahn, Senator Neville (arrived at 8:09 a.m.), Representative Nordberg, Representative Primavera, Representative Ryden, Representative Saine

**EXCUSED:** Senator Carroll

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

**OTHER LEGISLATOR PRESENT:** Representative Tracy Kraft-Tharp

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Matt Devlin, Kerri Hunter, Deputy State Auditors; Crystal Dorsey, Scott Reid, Michelle Colin, Jenny Page, Andrew Knauer, Lynne Steketee, Stelios Pavlou

**AGENCY STAFF PRESENT:** Tammy Nelson, Bob Jaros, Karoline Clark, Office of the State Controller; Ed Peterson, Colorado Transportation Commission; Michael Lewis, Josh Laipply, Colorado Department of Transportation; Mike Dixon, Tony Anderson, Department of Revenue; Irv Halter, Chantal Unfug, JoAnn Groff, Department of Local Affairs

OFFICE OF THE STATE AUDITOR  
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8:00 a.m. – Cash Funds Uncommitted Reserves  
8:20 a.m. Fiscal Year Ended June 30, 2015  
Performance Audit, February 2016

A motion was made by Vice-Chair Ryden and seconded by Representative Saine to release the *Cash Funds Uncommitted Reserves, Fiscal Year Ended June 30, 2015, Performance Audit* (February 2016). The motion passed by a vote of 5-0.

Following introductions and opening remarks, Kerri Hunter, Crystal Dorsey, and Scott Reid provided an overview of the audit.

8:09 a.m. Senator Neville arrived.

Recommendation 1 was reviewed, discussed, and agreed to by staff from the Office of the State Controller (OSC). Further discussion ensued regarding the temporary Colorado Labor Allocation System (CLAS) and the intent of the State to implement a new Human Resources Information System (HRIS) which will include a labor allocation module.

8:16 a.m. Senator Holbert arrived.

8:20 a.m. GENERAL BUSINESS

#### Minutes

A motion was made by Representative Saine and seconded by Vice-Chair Ryden to approve the Minutes from February 9, 2016. The motion passed by a vote of 7-0.

#### Status Reports

Following introductions and opening remarks, Matt Devlin and Michelle Colin reviewed highlights from the *Collection and Usage of the FASTER Motor Vehicle Fees, Funding Advancements for Surface Transportation and Economic Recovery (FASTER) Act, Performance Audit* (August 2015).

The Colorado Department of Transportation (CDOT) provided an overview of the implementation status of recommendations addressed to CDOT for FASTER. Further discussion ensued regarding the implementation of SAP (CDOT's Enterprise Resource Planning System) codes and CDOT's "Bustang" ridership numbers and fare box recovery percentages.

The Department of Revenue (DOR) provided an overview of the implementation status of recommendations addressed to DOR for FASTER.

Following introductions and opening remarks, Monica Bowers and Jenny Page reviewed highlights from the *Gaming Impact Grants, Department of Local Affairs & Department of Human Services, Performance Audit* (August 2015). The status report from the Department of Human Services will be presented during the summer of 2016.

The Department of Local Affairs (DOLA) provided an overview of the implementation status of recommendations addressed to DOLA for the Local Government Limited Gaming Impact Program (Program). Further discussion ensued regarding how the State can ensure that Program grants are awarded specifically based on impacts from gaming.

#### **Proposed 2016 Interim Legislative Audit Committee Calendar**

State Auditor Dianne E. Ray provided an overview of the proposed 2016 Interim LAC Calendar. Two members requested changes to the calendar.

#### **Report Released Without a Hearing**

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

- Colorado Educational and Cultural Facilities Authority, 2015 Annual Report

The motion passed by a vote of 7-0.

Ms. Hunter provided an overview of the report

#### **Other Business**

Andrew Knauer and JoAnn Groff, Property Tax Administrator, DOLA, provided an overview of a proposed conceptual amendment to House Bill 16-1175, *Concerning the Administration of the Property Tax Exemptions for Qualifying Seniors and Disabled Veterans*:

- 1) Move the timing of the second DOLA review of each counties' property tax exemption eligibility list to prior to when each county sends out property tax bills to residents.

There was no opposition from the Committee to the conceptual amendment.

State Auditor Ray informed the Committee that the OSA received Metro Denver's Healthiest Employers Award from the Denver Business Journal in the small business category. Further, she presented some of the new audit appreciation posters created as part of the "You Make a Difference Project" at the OSA. The Committee commended the OSA on its efforts to increase employee engagement and further lower the employee turnover rate.

**8:50 a.m.** There being no further business to come before the LAC, the meeting adjourned. The next scheduled hearing is on March 8, 2016, at 7:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building.

Minutes submitted by:                      Brittany Wirth  
Executive Assistant to the State Auditor  
Office of the State Auditor



# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee

March 8, 2016

### Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on March 8, 2016, at 7:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Carroll, Senator Holbert (arrived at 8:10 a.m.), Senator Jahn, Representative Nordberg, Representative Primavera, Representative Ryden, Representative Saine

**EXCUSED:** Senator Neville

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

**OTHER  
LEGISLATOR  
PRESENT:** Representative Tracy Kraft-Tharp

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

**AGENCY  
STAFF  
PRESENT:** Bill Leone, Bob Bacon, Dino Ioannides, Independent Ethics Commission

DIANNE E. RAY, CPA  
—  
STATE AUDITOR

7:00 a.m. – **Independent Ethics Commission**  
8:45 a.m. **Judicial Branch**  
**Performance Audit, February 2016**

A motion was made by Representative Saine and seconded by Representative Primavera to release the *Independent Ethics Commission, Judicial Branch, Performance Audit* (February 2016). The motion passed by a vote of 6-0.

Following introductions and opening remarks, Monica Bowers and Trey Standley provided an overview of the audit. The Independent Ethics Commission (IEC) agreed to implement all audit recommendations as written with one minor exception for Recommendation 1A. Further discussion ensued regarding the breakdown of the \$350,000 Fiscal Year 2016 IEC budget and the retention schedule for ethic complaint records.

8:10 a.m. Senator Holbert arrived.

Recommendations 1 and 2 were reviewed, discussed, and agreed to by staff from the IEC. Further discussion ensued regarding the process for determining if a complaint is frivolous, which includes in its definition those that are deemed outside the jurisdiction of the IEC, and requests to better inform the public about the complaint application process, the IEC's jurisdiction, and the available complaint remedies.

Recommendations 3, 4, 5, 6 and 7 were reviewed, discussed, and agreed to by staff from the IEC. The IEC stated that it would be open to utilizing existing resources, such as Legislative Council or the Office of Legislative Legal Services, to develop policies and procedures to improve the practices of the IEC.

Recommendation 8 was reviewed, discussed, and agreed to by staff from the IEC. Further discussion ensued regarding the burden placed on the complainants to conduct part of the investigation and the possibly effect of "Amendment 41" on increased partisanship in the General Assembly.

8:45 a.m. **GENERAL BUSINESS**

### **Minutes**

A motion was made by Senator Holbert and seconded by Representative Saine to approve the Minutes from February 23, 2016. The motion passed by a vote of 7-0.

**Census Data Attestation for the Colorado Public Employees' Retirement Association (PERA) 2015 Annual Financial Audit**

A motion was made by Senator Jahn and seconded by Senator Holbert to release the *Census Data Attestation for the Colorado Public Employees' Retirement Association (PERA) 2015 Annual Financial Audit*. The motion passed by a vote of 7-0.

Kerri Hunter provided an overview of the attestation.

**State Auditor Re-Appointment**

A motion was made by Chair Nordberg and seconded by Representative Saine to approve Dianne E. Ray, State Auditor, for re-appointment to a second 5-year term as State Auditor, beginning July 1, 2016, and submit her name to Legislative Council's Executive Committee for consultation and give contingent approval to draft a joint resolution. The motion passed by a vote of 7-0.

State Auditor Ray accepted the nomination to be re-appointed to a second 5-year term as State Auditor.

The joint resolution will start in the House.

Sponsors:                   Representatives Nordberg and Ryden  
                                  Senators Holbert and Jahn

Co-Sponsors:               Representatives Primavera and Saine  
                                  Senators Carroll and Neville

**Adoption of the 2016 Interim Legislative Audit Committee Calendar**

A motion was made by Senator Holbert and seconded by Representative Saine to adopt the 2016 Interim LAC calendar. The motion passed by a vote of 7-0.

**8:51 a.m.**     There being no further business to come before the LAC, the meeting adjourned. The next scheduled hearings are June 6-7, 2016, at 10:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building.

Minutes submitted by:                   Brittany Wirth  
  Executive Assistant to the State Auditor  
  Office of the State Auditor



# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee

June 6-7, 2016

### Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on June 6, 2016, at 10:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Representative Su Ryden called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Carroll, Senator Holbert, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Primavera, Representative Saine

**EXCUSED:** Representative Nordberg

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

**OTHER** Representative Ryden

#### LEGISLATOR

##### PRESENT:

**OSA STAFF** Dianne E. Ray, State Auditor; Kerri Hunter, Matt Devlin,  
**PRESENT:** Deputy State Auditors; Crystal Dorsey, Marisa Neff, Shelli Morgan, Selome Negassa, Cindi Radke, Heather McFadden

**AGENCY** Robert Jaros, Office of the State Controller; Debbi Blyth,  
**STAFF** Governor's Office of Information Technology; Joshua  
**PRESENT:** Laipply, Maria Sobota, Department of Transportation; Chris Telli, BKD, LLP; Jeff Cummings, Pinnacol Assurance Board of Directors; Phil Kalin, Kathy Kranz, Pinnacol Assurance; Laurel Hammer, Bret Koll, KPMG LLP

DIANNE E. RAY, CPA  
STATE AUDITOR

**10:00 a.m. GENERAL BUSINESS**

**Approval of Minutes from March 8, 2016**

A motion was made by Senator Holbert and seconded by Representative Saine to approve the Minutes from March 8, 2016. The motion passed by a vote of 7-0.

**Election of Vice-Chair**

A motion was made by Representative Saine and seconded by Senator Holbert to nominate Representative Primavera as Vice-Chair of the LAC. The motion passed by a vote of 7-0.

**Recognition**

Vice-Chair Primavera recognized Representative Ryden for her service to the LAC, March 2012 to May 2016.

**10:03 a.m. – Statewide Single Audit (Statewide)**

**10:22 a.m. Fiscal Year Ended June 30, 2015**

**Financial Audit, June 2016**

Overview

A motion was made by Representative Saine and seconded by Senator Holbert to release the *Statewide Single Audit, Fiscal Year Ended June 30, 2015 (Statewide) Financial Audit (June 2016)*. The motion passed by a vote of 7-0.

Following introductions and opening remarks, Kerri Hunter and Crystal Dorsey provided an overview of the Statewide Audit.

**10:22 a.m. – State of Colorado Comprehensive Annual Financial**

**10:41 a.m. Report (CAFR)**

**For the Fiscal Year Ended June 30, 2015**

Following introductions and opening remarks, Robert Jaros provided an overview of the CAFR.

**10:41 a.m. –**      **Statewide** -- Department of Personnel & Administrations /  
**11:41 a.m.**      Office of the State Controller

Following introductions, Ms. Hunter, Marisa Neff, Shelli Morgan, Selome Negassa, Matt Devlin, Cindi Radke and Mr. Jaros provided an overview of the Department of Personnel & Administration (DPA) and the Office of the State Controller (OSC) sections of the Statewide Audit.

Recommendation 2015-0058 was reviewed, discussed, and agreed to by staff from OSC. Further discussion ensued regarding the number of material weaknesses identified in the Statewide Audit, assurances from OSC that the chart of accounts for Fiscal Year 2015 is finalized, and discussion on why the net pension liability and other adjustments required by the Governmental Accounting Standards Board's Statement No. 68 (GASB 68) were not identified in a timely manner.

OSC discussed several factors that contributed to the delay in the completion of the CAFR and associated issues with the implementation of the Colorado Operations Resource Engine (CORE), the State's accounting system, which was implemented in Fiscal Year 2015. Further discussion ensued regarding the OSC's efforts to address ongoing issues with CORE and processes to notify relevant State stakeholders of issues and delays.

Recommendation 2015-0011 was reviewed, discussed, and agreed to by staff from OSC. Further discussion ensued regarding building the labor allocation module and supplying adequate staff for the InfoAdvantage financial reporting system.

Recommendations 2015-0012 and 2015-0013 were reviewed, discussed, and agreed to by staff from OSC. Further discussion ensued regarding other processes used prior to full implementation of budgetary controls in CORE.

Recommendation 2015-0014 was reviewed, discussed, and agreed to by staff from OSC.

Recommendation 2015-0061 was reviewed, discussed, and partially agreed to by staff from OSC. Further discussion ensued regarding the disaster recovery plan.

**11:41 a.m.**    The Committee recessed for lunch.

**1:32 p.m. – Statewide – Governor’s Office of Information Technology**  
**2:08 p.m.**

Following introductions and opening remarks, Mr. Devlin, Ms. Radke, Debbi Blyth, and Mr. Jaros provided an overview of the Governor’s Office of Information Technology (OIT) section of the Statewide Audit.

Recommendation 2015-0023 was reviewed, discussed, and agreed to by staff from OIT. Further discussion ensued regarding the project management of CORE, project governance lessons to be learned and implemented for current and future State information technology projects, the use of CGI Technologies and Solutions Inc. (CGI) for the CORE modernization project, and how CGI compares to other vendors.

Recommendation 2015-0024 was reviewed, discussed, and agreed to by staff from OIT. Further discussion ensued regarding project management resources and staff at OIT, the approximately 1,200 ongoing projects OIT manages, and the need for more project management staff.

Recommendation 2015-0030 was reviewed, discussed, and agreed to by staff from OIT. Further discussion ensued regarding the need for better long term technical and financial planning for the State’s aging information technology infrastructure and the need to own the source code of information technology systems developed in conjunction with private vendors in order for the State to address future issues.

**2:08 p.m. – Statewide – Department of Transportation**  
**2:33 p.m.**

Following introductions and opening remarks, Ms. Hunter, Ms. Radke, Joshua Laipply, Maria Sobota, and Chris Telli provided an overview of the Department of Transportation (DOT) section of the Statewide Audit.

Recommendation 2015-0062 was reviewed, discussed, and agreed to by staff from DOT. Further discussion ensued regarding expanding DOT’s existing subrecipient monitoring plan based on risk assessments and the need for closer observation of sub-awards.

Recommendation 2015-0063 was reviewed, discussed, and agreed to by staff from DOT.

**2:33 p.m. – Schedule of Computations Required Under Article X,  
2:46 p.m. Section 20, of the State Constitution (TABOR)  
as of June 30, 2015  
Financial Audit, June 2016**

A motion was made by Senator Neville and seconded by Senator Carroll to release the *Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR) as of June 30, 2015 Financial Audit* (June 2016). The motion passed by a vote of 7-0.

Following introductions and opening remarks, Ms. Hunter, Ms. Dorsey, Heather McFadden, and Mr. Jaros provided an overview of the audit.

**2:46 p.m. – Pinnacol Assurance Statutory-Basis Financial Statements  
3:33 p.m. and Supplemental Schedules of Investment Information  
(With Independent Auditors' Report Thereon)  
December 31, 2015 and 2014**

A motion was made by Senator Jahn and seconded by Senator Carroll to release the *Pinnacol Assurance Statutory-Basis Financial Statements and Supplemental Schedules of Investment Information (With Independent Auditors' Report Thereon), December 31, 2015 and 2014*. The motion passed by a vote of 7-0.

Following introductions and opening remarks, Ms. Hunter, Ms. Dorsey, Laurel Hammer, Bret Koll, Jeff Cummings, Phil Kalin, and Kathy Kranz provided an overview of the audit. Further discussion ensued regarding the purpose and structure of the \$935 million surplus and possible other uses of the surplus such as lowering premiums, refunds to policy holders, or improved benefits to claimants.

Pinnacol staff discussed the quickly evolving private insurance market and the possible need for statutory change to enable Pinnacol to compete in that market. Further discussion ensued regarding the benefit of Pinnacol's tax exempt status versus the liability of being the insurer-of-last-resort for high-risk entities.

**3:33 p.m.** The Committee recessed.

The LAC was reconvened on June 7, 2016, at 9:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Carroll, Senator Holbert (arrived at 9:04 a.m.), Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Primavera, Representative Saine (arrived at 9:09 a.m.)

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

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Matt Devlin, Deputy State Auditor; Cindi Radke, Larry Ciacio, Derek Johnson

**AGENCY STAFF PRESENT:** Robert Jaros, Office of the State Controller; Debbi Blyth, Governor's Office of Information Technology; Ron Franke, Myers and Stauffer LC; LeeAnn Morrill, Chris Jackson, Office of the Attorney General; Bob Lackner, Office of Legislative Legal Services; Steve Bornmann, Nick Fisher, Department of Agriculture

**9:00 a.m. – 9:41 a.m.** **Audit of the Information Security of the Colorado Operations Resource Engine (CORE) System Information Technology Performance Audit Public Report, April 25, 2016**

A motion was made by Senator Jahn and seconded by Senator Neville to release the *Audit of the Information Security of the Colorado Operations Resource Engine (CORE) System Information Technology, Performance Audit Public Report, April 25, 2016*. The motion passed by a vote of 6-0.

**9:04 a.m.** Senator Holbert arrived.

**9:09 a.m.** Representative Saine arrived.

Following introductions and opening remarks, Mr. Devlin, Ms. Radke, Ron Franke, Ms. Blyth, and Mr. Jaros provided an overview of the audit. Further discussion ensued regarding the inability of the State to audit certain features of CORE that are considered CGI shared infrastructure and the need to

restructure State contracts to allow for greater transparency with private contractors. State Auditor Dianne E. Ray stated that these issues were part of why she chose to initiate this discretionary audit.

Recommendation 1 was reviewed, discussed, and agreed to by staff from OIT. Further discussion ensued regarding the original contract with CGI to implement CORE that did not include provisions that CGI maintain compliance with cyber security policies as they are updated and the need for more scrutiny of vendor compliance with security policies on an ongoing basis.

**9:41 a.m. Executive Session Pursuant to Sections 24-6-402(3)(a)(II) and (IV), C.R.S.**

A motion was made by Representative Saine and seconded by Senator Jahn to convene an Executive Session in accordance with Section 24-6-402(3)(a)(IV), C.R.S., to review the *Audit of the Information Security of the Colorado Operations Resource Engine (CORE) System, Information Technology Performance Audit, Confidential Report, April 25, 2016* and the *Statewide Single Audit, Fiscal Year Ended June 30, 2015, Confidential Report, Financial Audit* (June 2016) and in accordance with Section 24-6-402(3)(a)(II) to confer with an attorney. The motion passed by a vote of 8-0.

**12:06 p.m. GENERAL BUSINESS**

**Audit Requests**

State Auditor Ray presented a request submitted by Senator Laura Woods for an audit of Public Administrators. She requested the Committee's approval to begin conducting initial research to determine the potential scope of this audit. A motion was made by Senator Carroll and seconded by Representative Saine to authorize the OSA to conduct initial research on Public Administrators. The motion passed by a vote of 8-0.

State Auditor Ray presented a request submitted by the Joint Budget Committee for an audit of the Department of Revenue, Division of Limited Gaming (Division). She requested the Committee's approval to begin conducting initial research to determine the potential scope of this audit. A motion was made by Senator Neville and seconded by Vice-Chair Primavera to authorize the OSA to conduct initial research on the Division. The motion passed by a vote of 8-0.

State Auditor Ray presented a request submitted by Senator Larry Crowder for an audit of the State Land Board. She requested the Committee's approval to begin conducting initial research to determine the potential scope of this audit. A motion was made by Senator Jahn and seconded by Senator Holbert to authorize the OSA to conduct initial research on the State Land Board. The motion passed by a vote of 8-0.

State Auditor Ray presented a request submitted by Representative Jonathan Singer for an audit of the Department of Human Services, Office of Behavioral Health's Data Collection. She requested the Committee's approval to begin conducting initial research to determine the potential scope of this audit. Further discussion ensued regarding 2016 legislation which was laid over until more information could be provided by an audit. A motion was made by Senator Jahn and seconded by Vice-Chair Primavera to authorize the OSA to conduct initial research on the Office of Behavioral Health's Data Collection. The motion passed by a vote of 8-0.

#### **Status Report**

Following introductions and opening remarks, Mr. Devlin and Derek Johnson reviewed highlights from *Pet Animal Care Facilities Act Program, Department of Agriculture, Performance Audit* (June 2015).

Steve Bornmann and Nick Fisher provided an overview of the implementation status of recommendations addressed to Pet Animal Care Facilities Act Program.

**12:14 p.m.** There being no further business to come before the LAC, the meeting adjourned. The next scheduled hearings are August 22-23, 2016, at 10:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building.

Minutes submitted by:

Brittany Wirth  
Executive Assistant to the State Auditor  
Office of the State Auditor



# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee

August 22-23, 2016

### Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on August 22, 2016, at 9:58 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Heath, Senator Holbert, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Primavera, Representative Saine

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

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Kerri Hunter, Matt Devlin, Monica Bowers, Deputy State Auditors; Michelle Colin, Jenny Page, Derek Johnson, Sarah Grider, Crystal Dorsey, Gina Faulkner, Andrew Knauer, Greg Fugate

**AGENCY STAFF PRESENT:** MaryAnn Motza, Public Employees' Retirement Association (PERA) Board; Greg Smith, Jennifer Paquette, PERA; Thomas Rey, CliftonLarsonAllen LLP; Pat Beckham, Ed Koebel, Eric Gary, Cavanaugh Macdonald Consulting, LLC; Chris Underwood, Marvel Klueckman, Department of Health Care Policy and Financing; Jennifer Okes, Department of Education; Denise Pearson, Kiowa C-2 School District; Mike Warren, Hi-Plains School District R-23; Reggie Bicha, Nancy VanDeMark, Department of Human Services; Pat Coyle, JoAnn Groff, Department of Local Affairs; Tom Tobiassen, Regional Transportation District (RTD) Board of Directors; David Genova, RTD

**9:58 a.m. GENERAL BUSINESS**

### Announcement

DIANNE E. RAY, CPA  
STATE AUDITOR

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DENVER, COLORADO  
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303.869.2800

Chair Nordberg announced that Senator Heath replaced Senator Carroll on the LAC.

**Approval of Minutes from June 6-7, 2016**

A motion was made by Senator Holbert and seconded by Senator Neville to approve the Minutes from June 6-7, 2016. The motion passed by a vote of 8-0.

**10:00 a.m. PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION (PERA) - SECTION**

**10:00 a.m. – Colorado Public Employees' Retirement Association  
10:13 a.m. Comprehensive Annual Financial Report (CAFR)  
For the Year Ended December 31, 2015**

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

**10:13 a.m. – Colorado Public Employees' Retirement Association  
10:16 a.m. Financial Audit, Year Ended December 31, 2015**

A motion was made by Representative Saine and seconded by Vice-Chair Primavera to release the *Colorado Public Employees' Retirement Association, Financial Audit, Year Ended December 31, 2015*. The motion passed by a vote of 8-0.

Mr. Rey provided an overview of the audit.

**10:16 a.m. – Report on the Actuarial Valuation of the Public Employees' Retirement  
10:16 a.m. Association of Colorado, Prepared as of December 31, 2015**

Pat Beckham provided an overview of the actuarial valuation. Further discussion ensued regarding the PERA Judicial Division, the assumed 7.5 percent investment rate of return, and the lower than expected salary increases.

PERA provided and reviewed a handout entitled *Colorado Legislative Audit Committee, Review of COPERA Valuation Results and Signal Light Analysis, August 22, 2016*. Further discussion ensued regarding downward trends in investment returns, concerns regarding insolvency, and the Senate Bill 10-001 directive that PERA be fully funded within 30 years.

**Status Report**

Following introductions and opening remarks, Kerri Hunter and Michelle Colin reviewed highlights from the *Sensitivity Analysis of Colorado Public Employees' Retirement Association, Hybrid Defined Benefit Plan, Actuarial Assumptions* (October 2015).

Greg Smith and Jennifer Paquette provided and reviewed a handout entitled *Legislative Audit Committee, Gregory Smith, Executive Director, August 22, 2016* and provided an overview of the implementation status of recommendations addressed to PERA in the sensitivity analysis.

**11:40 a.m. – Colorado PERA Senate Bill 10-001 Report, December 2015**  
**12:00 p.m.**

Mr. Smith provided an overview of the report. The LAC recognized PERA's work to implement the requirements of SB10-001. Representative Kraft-Tharp requested copies of the September and November 2016 reports to the PERA Board.

**12:00 p.m.** The Committee recessed for lunch.

**1:29 p.m. – Colorado Medicaid: The PEAK Application and Eligibility Verification**  
**2:32 p.m. Department of Health Care Policy and Financing**  
**Performance Audit, July 2016**

A motion was made by Representative Saine and seconded by Vice-Chair Primavera to release the *Colorado Medicaid: The PEAK Application and Eligibility Verification, Department of Health Care Policy and Financing, Performance Audit* (July 2016). The motion passed by a vote of 8-0.

Following introductions and opening remarks, Matt Devlin, Jenny Page, Derek Johnson, and Sarah Grider provided an overview of the audit. Further discussion ensued regarding tax credits for citizens through Connect for Health, Medicaid income verification, Medicaid fraud and recouping costs, and inaccuracies with the vital records interface which disenrolls citizens upon death.

Recommendation 1 was reviewed, discussed, and agreed to by staff from the Department of Health Care Policy and Financing (HCPF). Further discussion ensued regarding processing Medicaid applicants within federal timeframes, HCPF's Medicaid Eligibility Quality Improvement Plan, and the need for HCPF to build a system to track more Medicaid data.

**2:30 p.m. – Fiscal Health Analysis Fiscal Years 2013-2015**  
**3:30 p.m. Colorado School Districts**  
**Informational Report, August 2016**

A motion was made by Senator Holbert and seconded by Senator Heath to release the *Fiscal Health Analysis Fiscal Years 2013-2015, Colorado School Districts, Informational Report* (August 2016). The motion passed by a vote of 8-0.

Following introductions and opening remarks, Ms. Hunter, Crystal Dorsey, and Gina Faulkner provided an overview of the report. Jennifer Okes discussed the Colorado Department of Education's (CDE) oversight of and actions taken to aide school districts with missed benchmarks.

Two school districts were invited to the LAC hearing to discuss details of the responses that they provided in Appendix B. Kiowa C-2 School District provided and reviewed a handout entitled *A Look at Kiowa C-2 Unfunded Mandates: 2014-15 One-Year Review*, and reviewed the financial status of their school district. Hi-Plains School District R-23 provided an overview of their financial status. Further discussion ensued regarding the benefits and drawbacks of moving some school districts to a 4-day week, hiring retired PERA teachers, teacher certification requirements and waiver programs, and challenges with concurrent enrollment requirements in small rural school districts.

**3:24 p.m. GENERAL BUSINESS**

**Status Reports**

Following introductions and opening remarks, Monica Bowers and Ms. Page reviewed highlights from the *Gaming Impact Grants, Department of Local Affairs & Department of Human Services, Performance Audit* (August 2015).

Reggie Bicha and Nancy VanDeMark provided an overview of the implementation status of recommendations addressed to the Department of Human Services (DHS) for gaming impact grants. Further discussion ensued regarding the use of gambling impact funds to address gambling addiction and support the Gambling Addiction Hotline.

Following introductions and opening remarks, Ms. Bowers and Andrew Knauer reviewed highlights from the *Senior and Disabled Veteran Property Tax Exemption Program, Department of Local Affairs, Performance Audit* (August 2015).

Pat Coyle and JoAnn Groff provided an overview of the implementation status of recommendations addressed to the Department of Local Affairs (DOLA) for the Program.

Following introductions and opening remarks, Ms. Bowers discussed the OSA's review of the *Bus and Light Rail Train Operator Safety, Regional Transportation District, Performance Audit* (September 2015) status report, that concluded that the Regional Transportation District's (RTD's) supporting documentation substantiates RTD's reported implementation status for each of the audit recommendations. Further, Greg Fugate reviewed highlights from the audit.

Tom Tobiassen and David Genova provided an overview of the implementation status of recommendations addressed to RTD for bus and light rail train operator safety. Further discussion ensued regarding RTD's termination policy and drug and alcohol testing.

**Great Outdoors Colorado (GOCO) Lawsuits – Update**

State Auditor Dianne E. Ray provided an update on the status of the GOCO lawsuits. Further discussion ensued regarding the LAC's concerns about the cost of GOCO's private legal representation by Holland & Hart LLP.

**3:56 p.m.** The Committee recessed.

The LAC was reconvened on August 23, 2016, at 9:01 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Vice-Chair Primavera called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Heath, Senator Holbert (arrived at 9:16 a.m.), Senator Jahn, Representative Kraft-Tharp, Senator Neville (arrived at 9:03 a.m.), Representative Primavera, Representative Saine

**EXCUSED:** Representative Nordberg

The following OSA and agency staff were in attendance:

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Kerri Hunter, Deputy State Auditor; Andrew Knauer, Kate Shiroff, Meghan Westmoreland, Gina Faulkner, Michelle Colin, Nina Frant, Greg Fugate, Jenny Atchley, Trey Standley, Jenny Page

**AGENCY STAFF PRESENT:** Reggie Bicha, Clint Woodruff, Department of Human Services; Robert Jaros, Office of the State Controller; June Taylor, Department of Personnel & Administration; Angela Baier, College Assist; Diane Duffy, Department of Higher Education; Travis Webb, BKD, LLP

**9:01 a.m. – 10:12 a.m.** **Contracting for Services – Selection Process  
Department of Human Services  
Performance Audit, August 2016**

A motion was made by Senator Heath and seconded by Representative Kraft-Tharp to release the *Contracting for Services – Selection Process, Department of Human Services, Performance Audit* (August 2016). The motion passed by a vote of 5-0.

**9:03 a.m.** Senator Neville arrived.

Following introductions and opening remarks, Ms. Bowers, Mr. Knauer, Kate Shiroff, and Meghan Westmoreland provided an overview of the audit.

**9:16 a.m.** Senator Holbert arrived.

Recommendation 1 was reviewed, discussed, and agreed to by staff from DHS. Further discussion ensued regarding DHS' procurement processes and lessons learned that are applicable to all agencies, DHS' request for proposal (RFP) peer reviews, awarding state contracts to multiple vendors, and the Department of Personnel & Administration's (DPA's) delegation agreements with state agencies.

Recommendation 2 was reviewed, discussed, and agreed to by staff from DHS. Further discussion ensued regarding procurement training for state employees and the procurement community's response to conflict of interest issues identified in the *Immunization Program – Use of Tobacco Settlement Funds, Department of Public Health and Environment, Performance Audit* (January 2016) that are applicable to all state agencies.

Recommendation 3 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued regarding how DHS scores RFPs and DPA's proposed legislation to modernization of the State's procurement process and procurement code.

## **10:12 a.m. GENERAL BUSINESS**

### **Legislation Discussion**

Following introductions and opening remarks, Ms. Hunter, Ms. Faulkner, Travis Webb, and Angela Baier provided an overview of the recommendation concerning the administration of the College Opportunity Fund in the *Colorado Student Loan Program dba College Assist, Financial and Compliance Audits Fiscal Years Ended June 30, 2015 and 2014*. The Committee previously voted to release the report without a hearing at the LAC hearing on January 12, 2016. College Assist requested draft legislation to address the recommendation.

A motion was made by Senator Holbert and seconded by Senator Jahn to request draft legislation for College Assist. The motion passed by a vote of 7-0.

Ms. Bowers reviewed the Legislation Matrix. Ms. Colin provided an overview of Recommendation 3B from the *Outdoor Advertising Program, Department of Transportation, Performance Audit* (May 2013). Further discussion ensued regarding the Program fees. The LAC requested that more information be provided at the October 3-4, 2016, LAC hearings, with input from the Department of Transportation and stakeholders.

Ms. Bowers and Nina Frant reviewed Recommendations 7 and 8A from the *Child Welfare, Department of Human Services, Performance Audit* (October 2014). The LAC requested that more information be provided at the October 3-4, 2016, LAC hearings, with input from DHS.

Ms. Bowers provided an overview of Recommendations 3A and 8B from the *Colorado Correctional Industries, Department of Corrections, Performance Audit* (January 2015); Recommendation 4 from the *Consumer-Directed Attendant Support Services, Department of Health Care Policy and Financing, Performance Audit* (May 2015); Recommendation 2 from

the *Schedule of TABOR Revenue, Performance Audit* (September 2015); and Recommendations 8A-B from the *Independent Ethics Commission, Judicial Branch, Performance Audit* (February 2016). The LAC took no action.

State Auditor Ray provided an overview of the OSA's proposal to update and clarify OSA statutes. Some changes will be included in the annual Revisor's Bill and some will be subject to review by the recreated Statutory Revision Committee.

### **OSA Fraud Reporting Hotline**

State Auditor Ray, Jenny Atchley, and Mr. Fugate provided and reviewed a handout on the OSA Fraud Reporting Hotline (Hotline) and discussed opportunities, including the potential for statutory change, to improve the design and operation of the Hotline. Further discussion ensued regarding the process to become a certified fraud examiner and hotline statistics from other states.

A motion was made by Representative Saine and seconded by Senator Holbert to request draft legislation to improve the design and operation of the Hotline. The motion passed by a vote of 7-0.

### **SMART Government Act**

Ms. Bowers and Trey Standley provided an overview of the memo and requested feedback from the LAC regarding improving the role of the OSA at the SMART Government Act (SMART) Committee of Reference (COR) hearings. The LAC provided suggestions such as including information about SMART in the New Member Orientation, only covering unimplemented audit recommendations at SMART hearings, and ensuring that the OSA presents its information before the corresponding departments so that COR members can ask the departments to respond to the audit.

### **Audit Requests**

Ms. Bowers provided an overview of the evaluation for a request for an audit related to Public Administrators. A motion was made by Senator Neville and seconded by Representative Saine to approve the request for an audit of Public Administrators. The motion passed by a vote of 7-0.





# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee

October 3, 2016

## Minutes

DIANNE E. RAY, CPA

STATE AUDITOR

A meeting of the Legislative Audit Committee (LAC) was convened on October 3, 2016, at 10:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Heath, Senator Holbert, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Primavera, Representative Saine

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

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Deputy State Auditors; Michelle Colin, Carleen Armstrong, Stephanie Sanchez, James Stout, Nina Frant, Trey Standley, Andrew Knauer, Greg Fugate

**AGENCY STAFF PRESENT:** Reggie Bicha, Robert Werthwein, Kamille McKinney, Department of Human Services; Dan Slack, Kevin Lindahl, Fire and Police Pension Association; Irv Halter, Bruce Eisenhower, Department of Local Affairs; John Nixon, Duane Morris LLP; William Fornia, Pension Trust Advisors; Mahesh Albuquerque, Greg Johnson, Department of Labor and Employment; April Jones, Dino Ioannides, Independent Ethics Commission; Gregg Frasier, Office of Legislative Legal Services; Herman Stockinger, Department of Transportation

**10:00 a.m. – Division of Youth Corrections, Department of Human Services**  
**11:53 a.m. Performance Audit, September 2016**

A motion was made by Senator Holbert and seconded by Senator Neville to release the *Division of Youth Corrections, Department of Human Services Performance Audit* (September 2016). The motion passed by a vote of 8-0.

Following introductions and opening remarks, Monica Bowers, Michelle Colin, Carleen Armstrong, Stephanie Sanchez, and James Stout provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by staff from DHS. Further discussion ensued regarding the Department of Human Service's (DHS) seclusion processes including when seclusion should be used, and whether time spent in seclusion is used for productive development of the youth.

Recommendation 2 was reviewed, discussed, and agreed to by staff from DHS. Further discussion ensued regarding DHS staff-directed timeout processes. DHS agreed to end staff-directed timeouts and all will be considered seclusions but DHS is challenging the division to reconsider this decision.

Recommendation 3 was reviewed, discussed, and agreed to by staff from DHS. Further discussion ensued regarding DHS processes for reporting fights, assaults, and critical incidents. DHS committed to putting a new checklist in place for supervisors who have a responsibility to oversee documentation and make certain that incidents are properly recorded.

Recommendation 4 was reviewed, discussed, and agreed to by staff from DHS. Further discussion ensued regarding DHS Contract Monitoring process. DHS agreed to revise its contract monitoring process and create a position strictly for monitoring its contracted facilities

**11:52 a.m. - Approval of Minutes from August 22-23, 2016**  
**11:53 a.m.**

A motion was made by Representative Primavera and seconded by Senator Neville to approve the Minutes from August 22-23, 2016. The motion passed by a vote of 8-0.

**11:53 a.m. – Office of the State Auditor Annual Report**  
**12:00 p.m.**

Managing Legislative Auditor, Greg Fugate, reviewed the Office of the State Auditor Annual Report.

**12:00 p.m.** The Committee recessed for lunch.

**1:30 p.m. – Study of Volunteer Firefighter Pension Plans in Colorado, Performance  
2:20 p.m. Evaluation, September 2016**

A motion was made by Representative Saine and seconded by Representative Kraft-Tharp to release the *Study of Volunteer Firefighter Pension Plans in Colorado Performance Evaluation* (September 2016). The motion passed by a vote of 8-0.

Following introductions and opening remarks, Monica Bowers and Andrew Knauer introduced John Nixon and William Fornia of Duane Morris LLP who provided an overview of the study.

The Study of Volunteer Firefighter Pension Plans in Colorado Performance Evaluation reviewed its legal status, funding, and other options available. Duane Morris LLP found that the Volunteer Firefighter Pension Plans were not in compliance with IRS tax qualifications, a corrective procedure is available to bring the plans into compliance. The volunteer status was found to be in compliance with FLSA. Duane Morris LLP found that most of the funding is going to low end plans. Other retirement plan options were discussed and reviewed by Duane Morris LLP.

**2:20 p.m. General Business**

**Status Report**

**2:20 p.m. – Conveyance Program, Department of Labor and Employment,  
2:25 p.m. Performance Audit, November 2015**

Following introductions and opening remarks, Monica Bowers and Nina Frant reviewed the status report from the *Conveyance Program Department of Labor and Employment, Performance Audit* (November 2015).

The program representatives states that they are on track to implement all of the seven recommendations made by the Office of the State Auditor.

**2:25 p.m. – Independent Ethics Commission, Judicial Branch, Performance Audit,  
2:35 p.m. February 2016**

Following introductions and opening remarks, Monica Bowers and Trey Standley reviewed the status report from the *Independent Ethics Commission, Judicial Branch, Performance Audit* (February 2016).

Independent Ethics Commission representatives state that the Commission has implemented all recommendations made by the Office of the State Auditor.

**2:35 p.m. Legislation Discussion**

**2:35 p.m. – Office of the State Auditor, Fraud Hotline, Bill Draft**  
**2:53 p.m.**

Following introductions and opening remarks, Greg Fugate reviewed the *Office of the State Auditor Fraud Hotline Bill Draft*. The Committee requested changes to align the Bill draft with the Whistleblower Act.

**2:53 p.m. – Department of Transportation, Outdoor Advertising Program,**  
**3:37 p.m. Performance Audit August 2015**

Following introductions and opening remarks, Monica Bowers and Michelle Colin reviewed the status report from the *Department of Transportation, Outdoor Advertising Program, Performance Audit* (August 2015).

Further discussion, regarding Outdoor Advertising Program's billboard permit and enforcement activity fees, resulted in the LAC asking CDOT to provide documentation regarding costs before moving forward with legislation.

**3:37 p.m. – Department of Human Services, Child Welfare, Performance Audit,**  
**4:15 p.m. October 2014**

Following introductions and opening remarks, Monica Bowers and Nina Frant reviewed the status report from the *Department of Human Services, Child Welfare, Performance Audit* (October 2014).

Further discussion regarding Child Protection Teams resulted in a motion being made by Senator Neville and seconded by Representative Saine to request a bill draft to make the Child Protection Teams optional for counties. The motion passed by a vote of 6-2.

**4:15 p.m.** The Legislative Audit Committee meeting adjourned. The next scheduled hearing is November 14, 2016, at 10:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building.

Minutes submitted by: Christian Gonzalez  
Interim Executive Assistant to the State Auditor  
Office of the State Auditor



# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee

November 14, 2016

### Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on November 14, 2016, at 10:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Representative Dan Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Heath, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Primavera, Representative Saine, Senator Tate

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

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Matt Devlin, Deputy State Auditors; Michelle Colin, Nina Frant, Greg Fugate, Jenny Page

**AGENCY STAFF PRESENT:** Larry Wolk, Department of Public Health and Environment; Herman Stockinger, Anthony Lovato, Office of Policy and Government Relations, Colorado Department of Transportation; Robert Werthwein, Paige Rosemond, Department of Human Services;

**ALSO PRESENT:** Steve Richards, Mile High Outdoor Advertising; Allison Daley, Colorado Counties, Inc.

DIANNE E. RAY, CPA  
—  
STATE AUDITOR

**10:12 a.m. – Annual Report: Status of Outstanding  
10:37 a.m. Audit Recommendations as of June 30, 2016  
Informational Report, October 2016  
Overview**

A motion was made by Representative Saine and seconded by Vice-Chair Primavera to release the *Annual Report: Status of Outstanding Audit Recommendations as of June 30, 2016, Informational Report* (October 2016). The motion passed by a vote of 8-0.

Following introductions and opening remarks by Matt Devlin, Jenny Page provided an overview of the audit. Further discussion ensued regarding ways in which the Committee can ascertain if audit recommendations have been implemented.

State Auditor Dianne E. Ray stated that departments will be present at Committees of Reference hearings, at which time department representatives will be able to answer questions regarding whether or not recommendations have been implemented.

**10:37 a.m. GENERAL BUSINESS**

**Approval of Minutes from October 3, 2016**

A motion was made by Senator Heath and seconded by Senator Neville to approve the Minutes from October 3, 2016. The motion passed by a vote of 8-0.

## **STATUS REPORTS**

**10:40 a.m. – Immunization  
10:43 a.m. Department of Public Health and Environment  
Performance Audit, November 2015**

Following introductions and opening remarks by Monica Bowers, Nina Frant provided an overview of the *Immunization, Department of Public Health and Environment, Performance Audit* (November 2015). Further discussion ensued as to whether the audit recommendations have been implemented. Ms. Frant verified that the audit recommendations have been fully

implemented.

Dr. Larry Wolk presented tactical information regarding the status report. Further discussion ensued regarding follow-up that has been conducted to ensure that the recommendations will be implemented across all State departments.

State Auditor Ray stated that a letter was sent to the Department of Personnel Administration (DPA) to communicate the changes across departments, and that it is her understanding that DPA will assemble a committee to evaluate different polices with the intention of implementing revisions at that time. OSA will follow up and report back to the Committee in December.

## LEGISLATION DISCUSSION

**10:43 a.m. – OSA Fraud Hotline – Bill Draft**

**10:42 a.m.**

The *OSA Fraud Hotline – Bill Draft* was tabled until December.

**10:42 a.m. - Outdoor Advertising Program – Fee Structure**

**11:26 a.m.**

Following introductions and opening remarks by Ms. Bowers, Michelle Colin provided an overview of the legislative recommendations in the *Outdoor Advertising Program Department of Transportation, Performance Audit* (November 2015). Ms. Colin reviewed previously discussed legislative options for the fee structure of the program including taking permit fees out of statute and establishing fees through rulemaking, leaving permit fees in statute with the possibility of making revisions, and leaving the statute in place without taking any further action.

Colorado Department of Transportation (CDOT) staff Herman Stockinger and Anthony Lovato reviewed costs associated with the Outdoor Advertising Program. Further discussion ensued regarding mechanisms for collecting fines or penalties through administrative processes.

Steve Richards of Mile High Advertising provided input from a private industry perspective which supported maintaining the current fee-level for businesses in compliance with the program, and instituting administrative

finances or penalties for businesses out of compliance.

Discussion ensued around future steps regarding resolving this matter, ending in a consensus of the Committee that the process of implementing administrative fines will be vetted through additional conversations with private industry representatives and CDOT.

**11:26 a.m. – Child Protection Teams – Bill Draft**  
**11:41 a.m. Department of Human Services**  
**Performance Audit, November 2015**

Following introductions and opening remarks by Ms. Bowers, Ms. Frant provided an overview of the *Child Protection Teams – Bill Draft, Department of Human Services Child Welfare Performance Audit* (November 2015). Chair Nordberg clarified for the Committee that the impending discussion was intended to provide a forum for questions and clarification regarding the proposed legislation, rather than to move forward with legislation at that time.

Department of Human Services (DHS) staff Dr. Robert Werthwein and Paige Rosemond addressed inquiries regarding additional avenues of oversight, the level of involvement of stakeholders in the process, and the typical timeline associated with addressing reports of abuse and neglect.

Colorado Counties, Inc. (CCI) staff Allison Daley stated that although CCI has not taken an official position on the proposed legislation, the organization's Child Protection Teams will not suddenly stop providing services regardless of whether or not the proposed legislation passes, but will rather evaluate cases on a county by county basis.

## AUDIT REQUEST

**11:41 a.m. – Microwave Radio System**  
**11:42 a.m.**

State Auditor Ray presented a request submitted by Representatives Terri Carver and Paul Lundeen for an audit of the Microwave Radio System. She requested the Committee's approval to begin conducting initial research to determine the potential scope of this audit. A motion was made by Representative Saine and seconded by Representative Kraft-Tharp to authorize the OSA to conduct initial research on the Microwave Radio

System. The motion passed by a vote of 8-0.

**11:42 a.m. – Proposed 2017 Session Calendar**

**11:43 a.m.**

State Auditor Ray submitted the Proposed 2017 Session Calendar, noting that the first proposed hearing date falls on January 10, 2017, which is the day before the Legislative Session convenes. The proposed calendar will be voted upon at the December 2016 Legislative Audit Committee meeting.

**11:43 a.m.** There being no further business to come before the LAC, the meeting adjourned. The next scheduled hearings are December 5, 2016, at 10:00 a.m.; and December 6, 2016 at 9:00 a.m. in Hearing Room B (Audit Hearing Room), Legislative Services Building.

Minutes submitted by:

Marcie Jacobs  
Executive Assistant to the State Auditor  
Office of the State Auditor



# OFFICE OF THE STATE AUDITOR



Legislative Audit Committee  
December 5-6, 2016

DIANNE E. RAY, CPA  
—  
STATE AUDITOR

## Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on December 5, 2016, at 10:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Baumgardner, Senator Heath, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Primavera, Representative Saine

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

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Matt Devlin, Kerri Hunter, Deputy State Auditors; Crystal Dorsey, Nina Frant, Christopher Harless, Kate Kornacki, Jenny Page, James Taurman, Pooja Tulsian, Torry van Slyke, Heidi Wagner

**AGENCY STAFF PRESENT:** June Taylor, Scott Edwards, Department of Personnel & Administration; Joe Neguse, Marcia Waters, Mark Weston, Department of Regulatory Affairs; Robert Jaros, Jeffrey A. Kahn, Office of the State Controller; Robert Werthwein, Paige Rosemond, Department of Human Services; Diane Duffy, Wendy Hause, Kachina Weaver, Department of Higher Education; Wayne Williams, Suzanne Saiert, Gary Zimmerman, Department of State; Judy Zerzan, Department of Health Care Policy & Financing; Deborah Blyth, Office of Information Technology

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10:01 a.m. – Commuting Use of State-Owned Vehicles  
11:14 a.m. Department of Personnel & Administration  
Performance Audit, November 2016

A motion was made by Representative Saine and seconded by Senator Baumgardner to release the *Commuting Use of State-Owned Vehicles, Department of Personnel & Administration Performance Audit* (November 2016). The motion passed by a vote of 8-0.

Following introductions and opening remarks by Monica Bowers, Nina Frant, Kate Kornacki, James Taurman, and Heidi Wagner provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued regarding the timeline for implementation of DPA's response to the recommendation, and the need for identification of correct criteria to utilize in determining eligibility for commuting.

Recommendation 2 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued regarding ensuring clarification around DPA's roles and responsibilities in administering the program.

Recommendation 3 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued regarding the opportunity for DPA to develop and institute more effective data collection and techniques for ensuring compliance in overseeing commuters.

Recommendation 4 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued regarding ways in which DPA will seek guidance from the Office of the Attorney General in order to develop and modify policies.

Recommendation 5 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued regarding possible risks incurred by employees' inadvertent non-compliance in tax reporting for years prior to 2015, and the need to clarify IRS requirements around these regulations.

Recommendation 6 was reviewed, discussed, and agreed to by staff from DPA. DPA stated their commitment to determining the level of compliance of the Peace Officer waiver with IRS requirements.

Recommendation 7 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued regarding actions DPA is currently taking to review and amend policies.

Recommendation 8 was reviewed, discussed, and agreed to by staff from DPA. Further discussion ensued regarding the need to simplify the process for setting the value of the commuting fringe benefit in order to bring procedures into alignment.

Recommendation 9 was reviewed, discussed, and agreed to by staff from DPA.

Recommendation 10 was reviewed, discussed, and agreed to by staff from DPA.

#### **11:14 a.m. GENERAL BUSINESS**

##### **Approval of Minutes from November 14, 2016**

A motion was made by Senator Baumgardner and seconded by Senator Heath to approve the Minutes from November 14, 2016. The motion passed by a vote of 8-0.

##### **Legislation Recommendations from the Commuting Performance Audit**

Nina Frant provided an overview of the legislation recommendations identified in the *Commuting Use of State-Owned Vehicles* performance audit. Discussion ensued regarding the potential need for legislative changes to provide clarity around eligibility, DPA's role in overseeing the program, and the value at which to set the benefit.

A motion was made by Representative Kraft-Tharp and seconded by Vice-Chair Primavera to request draft legislation for the Commuting Use of State-Owned Vehicles legislation recommendations. The motion passed by a vote of 7-0, Representative Saine had stepped out at the time of the vote.

### **OSA Fraud Hotline – Bill Draft**

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

### **January 2017 Election of Vice-Chair**

State Auditor Ray provided an overview of the process involved in the upcoming Vice-Chair elections, and clarified procedures for the January 10, 2017 hearing.

### **2017 Legislative Audit Committee Session Calendar**

State Auditor Ray reviewed the proposed 2017 calendar. A motion was made by Representative Kraft-Tharp and seconded by Vice-Chair Primavera to approve the Legislative Audit Committee 2017 Session Calendar. The motion passed by a vote of 8-0.

### **Annual Executive Summary of Audits of Tobacco Settlement Programs**

Monica Bowers provided an overview of the memo regarding programs funded with tobacco settlement dollars.

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

1:30 p.m. – Conservation Easements Tax Credit Program, After  
2:58 p.m. Changes in 2014  
Department of Regulatory Agencies, Division of Real Estate  
Performance Audit, November 2016

A motion was made by Representative Saine and seconded by Vice-Chair Primavera to release the *Conservation Easements Tax Credit Program, After Changes in 2014, Department of Regulatory Agencies, Division of Real Estate Performance Audit* (November 2016). The motion passed by a vote of 8-0.

Following introductions and opening remarks by Monica Bowers, Jenny Page, Chris Harless, and Tory van Slyke provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by staff from DORA. Further discussion ensued regarding software solutions which have been implemented to comply with the deadlines in the statute. In addition, DORA

reported that they are currently working to fill the open staff position, and to more fully implement the LEAN process in order to improve program efficiency.

Recommendation 2 was reviewed, discussed, and agreed to by staff from DORA. Further discussion ensued regarding the status of outstanding placeholder certificates and DORA's plans around resolving these liabilities.

Recommendation 3 was reviewed, discussed, and agreed to by staff from DORA. Further discussion ensued regarding measures in place to implement the recommendation, and DORA's plan to recommend removal of the January 1st date from the statute during the program's sunset review in 2017.

Recommendation 4 was reviewed, discussed, and agreed to by staff from DORA. The Department acknowledged the importance of overseeing this process, and detailed the recent implementation of a required online course to increase the accuracy of easement appraisals submitted.

Recommendation 5 was reviewed, discussed, and agreed to by staff from DORA. Further discussion ensued regarding methods utilized to determine the rate of benefit realized by the program as reported by DORA.

Section 6 was reviewed by OSA staff.

**2:58 p.m.**        The Committee recessed briefly.

**3:00 p.m. –**        **Schedule of TABOR Revenue**  
**3:11 p.m.**        **Fiscal Year 2016**  
                         **Performance Audit, October 2016**

A motion was made by Representative Kraft-Tharp and seconded by Vice-Chair Primavera to release the *Schedule of TABOR Revenue, Fiscal Year 2016 Performance Audit* (October 2016). The motion passed by a vote of 8-0.

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

Recommendation 1 was reviewed, discussed, and agreed to by staff from OSC. Further discussion ensued regarding timelines for completing current and past TABOR audits, and improvements that have been made in the process to ensure that the 2017 audit will be completed on schedule.

3:11 p.m. – GENERAL BUSINESS  
4:18 p.m.

## **STATUS REPORT**

### **Schedule of TABOR Revenue Performance Audit, September 2015**

Following introductions and opening remarks, Ms. Dorsey reviewed highlights of the recommendations from the *Schedule of TABOR Revenue Performance Audit* (September 2015). Robert Jaros discussed improvements that have been made in the timeline for closing the accounting period for the 2016 TABOR Financial Report, and reported that to date, timelines for closing each month in Fiscal Year 2017 are on schedule. Mr. Jaros stated that the Office of the State Controller (OSC) anticipates that the official books for Fiscal Year 2017 will be closed by the statutory deadline and therefore will remain in compliance with State statutes for the subsequent report.

OSC provided an overview of the policy signed in 2015 developed in response to Recommendation 2 outlining how transactions affecting TABOR will be handled in the absence of statute.

### **Statewide Conflict of Interest Issue (Originating from the Immunization Audit)**

Following opening remarks by Nina Frant, Robert Jaros provided an update regarding the committee convened to draft a conflict of interest policy for all State agencies. Mr. Jaros noted that the committee has reviewed statutes and existing policies, and anticipates delivery of a first draft of the policy within the next month.

### **Higher Education Enterprise**

After opening remarks by Kerri Hunter, Crystal Dorsey provided an overview of the final enterprise status for Fiscal Year 2016, and projected TABOR enterprise status for Fiscal Year 2017.

**Child Protection Teams - Bill Draft**

Ms. Frant provided an overview of Bill Draft LLS No. 17-0260-01 *Concerning the Optional Creation of a Child Protection Team by a County*. The Department of Human Services (DHS) stated its support of the Bill Draft.

A motion was made by Senator Neville and seconded by Senator Jahn to approve Bill Draft LLS No. 17-0260-01 to be put on Bill Paper. The motion passed by a vote of 6-2 with the following result:

Senator Baumgardner	Aye
Senator Heath	Aye
Senator Jahn	Aye
Representative Kraft-Tharp	No
Senator Neville	Aye
Vice-Chair Primavera	No
Representative Saine	Aye
Chair Nordberg	Aye

The Bill will start in the Senate.

Sponsors:           Senators Neville and Jahn  
                          Representative Nordberg

**College Assist - Administrative Responsibilities of the College Opportunity Fund Program - Bill Drafts**

Following opening remarks by Kerri Hunter, Crystal Dorsey provided an overview of Bill Drafts LLS NO. 17-0158.01 *Concerning the Transfer of Administrative Responsibilities for the College Opportunity Fund Program from the Colorado Student Loan Program to the Department of Higher Education* and LLS NO. 17-0158.02 *Concerning Contracting by the Colorado Student Loan Program for the Administration of the College Opportunity Fund Program*.

Diane Duffy provided detailed information regarding the two bill draft options, and stated that the Department of Higher Education’s preference would be to move forward with LLS NO. 17-0158.01 to have the Department of Higher Education become the “umbrella” to administer the program. Further discussion ensued regarding possible TABOR implications with this bill version transferring the administrative responsibilities to the Department of Higher Education.

The Committee agreed that more time was needed to make a decision on this issue, and decided to move this discussion to a future hearing after soliciting feedback from outside sources such as the Joint Budget Committee.

### **Reports Released without a Hearing**

A motion was made by Senator Baumgardner and seconded by Senator Jahn to release:

1. Auraria Higher Education Center, Financial and Compliance Audit, Fiscal Years Ended June 30, 2015 and 2016
2. Colorado Community College System, Financial Statements and Compliance Audit, Years Ended June 30, 2016 and 2015 (With Independent Auditors' reports Thereon)
3. College Invest, College Savings Program Funds, Financial Statements and Independent Auditor's Reports; Financial Audit, Years Ended June 30, 2016 and 2015; Compliance Audit, Year Ended June 30, 2016
4. Colorado School of Mines, Financial Statements and Independent Auditor's Reports, Financial Audit, Years Ended June 30, 2016 and 2015, Compliance Audit, Year Ended June 30, 2016
5. Metropolitan State University of Denver, Financial and Compliance Audit, Years Ended June 30, 2016 and 2015
6. University of Colorado, Financial and Compliance Audit, June 30, 2016 and 2015
7. University of Northern Colorado, Financial and Compliance Audit, Years Ended June 30, 2016 and 2015

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

### **STATUS REPORTS**

#### **Department of State, Secretary of State Performance Audit, December 2015**

Following introductions, Pooja Tulsian reviewed highlights from the *Department of State, Secretary of State Performance Audit* (December 2015) recommendations.

Secretary Williams provided an overview on recommendations which had not been addressed by Department of State.

**Medicaid Prescription Drugs, Health Care Policy and Financing, Performance Audit, June 2015**

Following introductions, Jenny Page reviewed highlights of the recommendations from the *Medicaid Prescription Drugs, Health Care Policy and Financing, Performance Audit, (June 2015)*. Ms. Page noted that 9 out of 10 recommendations are related to federal compliance and therefore are also included in the Statewide Single Audit test work to determine what the Department has done to implement these recommendations.

Dr. Judy Zerzan provided an overview of the implementation status of the recommendations, and stated that the recommendations which have not been completed have been delayed by the launch of HCPF's new information system. Further discussion ensued regarding work being done to address opiate addiction in Colorado.

**Audit of the Information Security of the Colorado Operations Resource Engine (CORE) System, (Public Report), Governor's Office of Information Technology (OIT) Performance Audit, April 2016**

Following opening remarks, Matt Devlin provided an overview of the recommendation in the *Audit of the Information Security of the Colorado Operations Resource Engine (CORE) System (Public Report), Governor's Office of Information Technology (OIT) Performance Audit (April 2016)*.

Deborah Blyth provided an update on Recommendation 1 addressing the public portion of the report. Further discussion ensued regarding a comparison of the two compliance options put forward for consideration in resolving Recommendation 1A with the clarification that these options will be submitted to various committees for evaluation.

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

A motion was made by Representative Kraft-Tharp and seconded by Senator Baumgardner to convene an Executive Session in accordance with Section 24-6-402(3)(a)(IV), C.R.S., to review the *Audit of the Information Security of the Colorado Operations Resource Engine (CORE) System (Private Report), Governor's Office of Information Technology, April 2016*. The motion passed by a vote of 8-0.

**4:45 p.m. The Committee recessed.**

The LAC was reconvened on December 6, 2016, at 9:00 a.m., in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Baumgardner, Senator Heath, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Primavera, Representative Saine

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

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Deputy State Auditor; Laura Bravo, Vickie Heller, Trey Standley, Stefanie Winzeler

**AGENCY STAFF PRESENT:** Rick Raemisch, Kelly Wasco, Renae Jordan, Michelle Nelson, Jill Lampela, Travis Trani, Department of Corrections

**9:00 a.m. – Behavioral Health Programs**  
**11:58 a.m. Department of Corrections**  
**Performance Audit, November 2016**

A motion was made by Senator Baumgardner and seconded by Senator Neville to release the *Behavioral Health Programs, Department of Corrections Performance Audit* (November 2016). The motion passed by a vote of 8-0.

Following introductions and opening remarks by Monica Bowers, Laura Bravo, Vickie Heller, Trey Standley and Stefanie Winzeler provided an overview of the audit.

Recommendation 1 was reviewed, discussed, and agreed to by staff from DOC. Further discussion ensued regarding timelines and methods utilized by DOC to conduct mental health assessments of offenders.

Recommendation 2 was reviewed, discussed, and agreed to by staff from DOC. Further discussion ensued regarding criteria defined in the Diagnostic and Statistical Manual of Mental Disorders for diagnosing mental health issues, and the capacity of the current IT system utilized by the Department to handle the detailed coding required for documentation.

Recommendation 3 was reviewed, discussed, and agreed to by staff from DOC. Further discussion ensued regarding ways to effect change in the current system including addressing the high rate of employee turnover, developing effective audit tools, and monitoring compliance with standards in place.

Recommendation 4 was reviewed, discussed, and partially agreed to by staff from DOC. Further discussion ensued regarding the scope of information a policy written by DOC should encompass to include all variables that would meet the criteria as an exception of the current policy.

Recommendation 5 was reviewed, discussed, and agreed to by staff from DOC. Further discussion ensued regarding using Telehealth as a vehicle for providing counselling for incarcerated offenders.

Recommendation 6 was reviewed, discussed, and partially agreed to by staff from DOC. Further discussion ensued regarding difficulties associated with outlining lines of oversight for all of DOC's policies, and the need for consistently implementing and tracking procedures across all Residential Treatment Programs. In addition, the auditors explained that the recommendations were developed by measuring the program against statutes and the Department's policies and procedures, since there are no best practices relating to this program.

Recommendation 7 was reviewed, discussed, and agreed to by staff from DOC.

Recommendation 8 was reviewed, discussed, and agreed to by staff from DOC.

Recommendation 9 was reviewed, discussed, and agreed to by staff from DOC. Further discussion ensued regarding the impact of employee turnover on the Department's ability to consistently establish and implement policies in the Sex Offender Treatment and Management Program.

Recommendation 10 was reviewed, discussed, and agreed to by staff from DOC. Further discussion ensued regarding the evaluation of employee exit-interview data in order to identify reasons for staff retention difficulties.

Recommendation 11 was reviewed, discussed, and partially agreed to by staff from DOC. Further discussion ensued regarding methods in place to ensure accountability for the recommendations outlined in the audit.

**11:58 a.m. – GENERAL BUSINESS**

**12:01 p.m.**

### **Recognition**

Chair Nordberg recognized departing Committee Members Senator Heath, Senator Holbert, and Representative Primavera for their service to the Legislative Audit Committee.

**12:01 p.m.** There being no further business to come before the LAC, the meeting adjourned. The next scheduled hearing is January 10, 2017 at 9:00 a.m. in Hearing Room B (Audit Hearing Room), Legislative Services Building.

Minutes submitted by:

Marcie Jacobs  
Executive Assistant to the State Auditor  
Office of the State Auditor