

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Department of State Performance Audit

AUDIT NUMBER: 1503P

DEPARTMENT: Department of State

DATE OF STATUS REPORT: October 17, 2016

SUMMARY INFORMATION

Please complete the highlighted sections with summary information for all audit recommendations.

Rec. Number	Agency's Response	Original Implementation Date	Implementation Status <i>(Insert: Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable. Please refer to the attached sheet for definitions of each implementation status option.)</i>	Revised Implementation Date (If applicable) <i>(Complete only if agency is revising the original implementation date.)</i>
1a	Agree	July 2016	Implemented	N/A
1b	Agree	July 2017	Implemented	N/A
1c	Agree	July 2016	Implemented	N/A
2a	Agree	July 2016	Implemented	N/A
2b	Agree	July 2016	Implemented	N/A
2c	Agree	September 2016	Partially Implemented	January 2017
3a	Agree	November 2015	Implemented	N/A
3b	Agree	July 2016	Implemented	October 2016
4a	Agree	April 2016	Not Implemented	December 2016
4b	Agree	April 2016	Not Implemented	December 2016
4c	Agree	April 2016	Not Implemented	April 2017

DETAIL OF IMPLEMENTATION STATUS

Note: The Department agreed with all of the public audit recommendations.

Recommendation No. 1:

The Department of State should ensure that its budgetary practices provide coverage for the Department's cost of services while maintaining a reasonable cash fund balance by establishing and documenting a strategic cash fund management plan, including:

A. Establishing objectives to support managing the cash fund to its strategic goals.

Current Implementation Status for Rec. 1, part a (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable): Implemented

Agency's Update:

The Department of State has taken two significant actions to improve the management of its cash fund:

- 1. The Department developed a formal cash fund management policy and procedure document that was formally adopted in June 2016. This cash fund management policy includes, among other things, the Secretary of State's current cash fund management objective of keeping the cash fund balance within +/- 25% of the alternative maximum reserve. While the Department exceeded the alternative maximum reserve at the end of FY 2016, it complied with the Secretary's cash fund balance objective.*
- 2. The Department worked with the Joint Budget Committee to establish an alternative maximum reserve for its cash fund. This was accomplished through SB16-089. The alternative maximum reserve helps the department to more easily manage its cash fund balance given the uncertainty of the necessity of substantial local election reimbursement payments to counties in even fiscal years.*

B. Creating and implementing formal policies and procedures for establishing, reviewing, and revising fees, as deemed appropriate, to meet statutory requirements and its objectives as established in PART A.

Current Implementation Status for Rec. 1, part b (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable): Implemented.

Agency's Update:

The Department has created a document governing the policies and procedures for the establishment, review, and revision of its fees. The Department's fees are reviewed annually, although more frequent reviews may be necessary for a variety of potential reasons (e.g., legislation, changing conditions in the broader economy, etc.). In accordance with this policy, the Department plans for fee changes to be in place for one full calendar year in order to ensure fairness to its constituents. However, the Department reserves the right to make shorter duration fee changes, if necessary in the judgment of the Secretary of State, to comply with statute and the Department's cash fund management policy. The Secretary of State is the final decision maker for all fee changes.

The Department followed these formalized policies and procedures in changing the fees to dissolve a business (these fee changes were effective October 1, 2016). This change was made due to the Department's cash fund balance exceeding the alternative maximum reserve at the end of FY 2016.

C. Formalizing written policies and procedures for the preparation of the Department's annual budget request, including the establishment of a documented review process.

Current Implementation Status for Rec. 1, part c (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable): Implemented.

Agency’s Update:

The Department adopted formal written policies and procedures for the preparation of its annual budget request in June 2016. These formal written policies closely mirror the budget preparation process the Department has used for its FY 2016 and FY 2017 budget request submissions. The Department has added a requirement that all budget schedules will be reviewed by both the Director of Administrative Services and the Chief of Staff. The Chief of Staff will formally approve each budget schedule prior to its submission to the Joint Budget Committee.

Recommendation No. 2:

The Department of State should improve the structure, accountability, and transparency of the Business Intelligence Center (Center) by:

- A. Working with the General Assembly to define the objectives, responsibilities, and structure of the Center.

Current Implementation Status for Rec. 2, part a (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable): Implemented.

Agency’s Update:

Following the release of the OSA report and presentation to the legislature, the Department approached the General Assembly and requested legislation to formally establish the Business Intelligence Center in statute. The Department made legislators aware of the report and OSA recommendations to define program objectives, responsibilities, and structure. During the 2016 session, the Legislature passed HB16-1014, which formalized the Business Intelligence Center program within the Department of State and addressed the audit recommendations. The bill became effective on August 10, 2016. A copy of the act is enclosed. In addition to HB16-1014, the Department drafted formal program policies and procedures that further define the program structure and responsibilities (see below on Rec. 2, part b for more detail).

The Department strategic planning process includes creating objectives for each program that fit within the Department’s overall strategic plan and SMART Act adherence. The Department followed this process again this year and developed program objectives for BIC that flow from the enabling legislation in HB16-1014, and include an objective for each of the department-wide goals. So for example, under the Department goal of “Increase customer satisfaction through improved system usability and efficiency” the BIC program objective for FY2017 is to implement automated update process of all data previously published to the Colorado Information Marketplace. .

- B. Creating formal roles for Department management, the Executive Committee, and the Advisory Board.

Current Implementation Status for Rec. 2, part b (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable): Implemented.

Agency’s Update:

Within the Business Intelligence Center program, formal roles for Department management and the Advisory Board have been established through a combination of legislation (HB16-1014) and the creation of a formal internal policy and procedure document that was adopted in September 2016. HB16-1014 clarified that the Advisory Board is meant to “assist the Department in the operation of the program,” and outlines the makeup of the board. The board does not serve as an oversight authority. Rather, the Department management structure oversees the program and ensures compliance with statutes, rules, and policies. The Advisory Board provides assistance in strategy and planning. This includes giving voice to stakeholder perspectives, engaging stakeholder groups, and coordinating across government agencies. The Department streamlined the structure to eliminate the Executive Committee. The policies and procedures document makes clear that oversight for the program exists within the Department management structure.

The BIC program manager oversees the program, including supervising work completed by contractors, as necessary, to carry out the program objectives. The program manager reports to the deputy division director. The deputy division director supervises the program manager’s implementation of the program, including signing off on all expenditures of state funds and monitoring compliance with Department policies and procedures. The deputy division director, in turn, reports to the division director, who reports to the chief of staff, who reports to the Secretary of State.

- C. Developing formal policies and procedures for Center operations, including those related to accounting for donations and related expenditures, once the formal roles in PART B are established.

Current Implementation Status for Rec. 2, part c (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable): Partially Implemented.

Agency’s Update:

The Department has established formal policies and procedures for the Business Intelligence Center (BIC), including for the accounting of donations and related expenditures. In addition, HB16-1014 granted the Department the authority to accept gifts, grants, and donations for the BIC program.

The only piece of this recommendation that has not yet been implemented is recording donations to and related expenditures for the BIC program in CORE, the State financial system. In order for the Department to record these items in the State financial system, the Department requires coding changes to be made by the Office of the State Controller (OSC). While OSC has stated that they are working on the required changes, they have not yet been made and the Department does not have the privileges necessary to unilaterally make these changes. The Department continues to follow up with OSC staff regarding its request for these changes.

Recommendation No. 3:

The Department of State should ensure that IT security requirements in the Colorado Information Security Policies have been incorporated into the Department's Agency Cyber Security Plan (Agency Plan) by:

- A. Updating and submitting its Agency Plan to the State's Chief Information Security Officer for approval as soon as possible for the current annual cycle.

Current Implementation Status for Rec. 3, part a (i.e., *Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): **Implemented.**

Agency's Update:

The Department's Agency Plan was submitted to the State's Chief Information Security Officer (CISO) in November 2015. The State CISO has approved the plan.

- B. Ensuring that the Agency Plan update and submission process continues to meet future, required annual deadlines.

Current Implementation Status for Rec. 3, part b (i.e., *Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): **Implemented.**

Agency's Update:

The State Chief Information Security Officer did not finalize templates for use in submitting Agency Plans by July 15, 2016. The Department requested and was granted an extension to file an updated ACSF upon completion of the templates for use by agencies. The Department's Agency Plan was submitted in October 2016.

Recommendation No. 4:

The Department of the State (Department) should improve IT controls related to the operations and security of the two data centers it uses by:

- A. Working with the Governor's Office of Information Technology (OIT) to formalize an agreement regarding the service responsibilities and expectations over the management of the data centers that host the Department's critical IT systems, including SCORE.

Current Implementation Status for Rec. 4, part a (i.e., *Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): **Not Implemented.**

Agency's Update:

The Department has not yet formalized a Service Level Agreement (SLA) with OIT. Department staff members are actively working with OIT to prepare for critical elections activities and expect to finalize an agency SLA by the end of December 2016. This agreement will include performance metrics and periodic reviews as indicated in recommendations 4B and 4C.

- B. Developing and documenting performance metrics by which to measure the services provided by OIT to ensure compliance with the formalized agreement.

Current Implementation Status for Rec. 4, part b (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): **Not Implemented.**

Agency's Update:

Please see the Department's response to Recommendation 4A.

C. Performing and documenting periodic reviews of OIT to ensure compliance with formalized agreements and to comply with the Department's vendor management policy.

Current Implementation Status for Rec. 4, part c (*i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable*): **Not Implemented.**

Agency's Update:

The Department will establish quarterly reviews of SLA performance beginning in April 2017.
