Legislative Audit Committee
July 24-25, 2017
Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on July 24, 2017 at 10:00 a.m. in the Legislative Services Building, Hearing Room B (Audit Hearing Room). Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Saine, Senator Smallwood, Representative Winter (arrived at 10:05 a.m.)

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

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Deputy State Auditor; Jenny Atchley, Laura Bravo, Robert Regan, Trey Standley

ALSO PRESENT: Jason Brinkley, Great Outdoors Colorado Board of Directors; Chris Castilian, Great Outdoors Colorado; Bob Broscheid, Robert Randall, Justin Rutter, Colorado Parks and Wildlife; Tim O’Brien, Colorado Public Employees’ Retirement Association Board of Trustees; Greg Smith, Colorado Public Employees’ Retirement Association; Thomas Rey, CliftonLarsonAllen LLP; Eric H. Gary, Edward J. Koebel, Cavanaugh Macdonald Consulting, LLC
10:00 a.m. – Investments in Colorado’s Great Outdoors, Great Outdoors Colorado & Colorado Parks and Wildlife Performance Audit, June 2017

A motion was made by Representative Saine and seconded by Vice-Chair Neville to release the Investments in Colorado’s Great Outdoors, Great Outdoors Colorado & Colorado Parks and Wildlife Performance Audit (June 2017). The motion passed by a vote of 8-0.

Following introductions on opening remarks by Monica Bowers and introductions by Chris Castilian and Robert Randall; Jenny Atchley, Laura Bravo, and Robert Regan provided an overview of the audit.

Recommendations 1 & 2 were reviewed, discussed, and agreed to by staff from Great Outdoors Colorado (GOCO). Further discussion ensued regarding the need to clarify the meanings of the term “substantially equal” as referenced in the Colorado Constitution Article XXVII. In addition, GOCO outlined the manner in which funding is allocated to different organizations and activities, the level to which program information is made available to the public, and specifics around contributions awarded.

Recommendation 3 was reviewed, discussed, and agreed to by staff from Colorado Parks and Wildlife (CPW). Following introductions by Robert Randall and Bob Broscheid, further discussion ensued regarding ways in which CPW has changed policies and procedures in order to avoid future project planning and implementation delays, and to maintain a high level of transparency.

Recommendation 4 was reviewed, discussed, and agreed to by staff from Colorado Parks and Wildlife. Further discussion ensued regarding possible effects of the new processes implemented to estimate costs. CPW also acknowledged the need to evaluate past GOCO projects in order to build in operations and maintenance costs to best utilize GOCO funds.

11:34 a.m. – GENERAL BUSINESS

11:44 a.m.

Approval of Minutes from June 5-6, 2017

A motion was made by Representative Saine and seconded by Senator Donovan to approve the Minutes from June 5-6, 2017. The motion passed by a vote of 8-0.
Legislation Matrix
Ms. Bowers provided an overview legislation matrix, and details regarding outstanding items.

Recommendation 4 from the Consumer-Directed Attendant Support Services, Department of Health Care Policy & Financing Performance Audit (June 2015) was reviewed. The Department of Health Care Policy & Financing is in the process of completing an evaluation which may address issues outlined in the recommendation. The LAC took no action.

Recommendations 8a and 8b from the Independent Ethics Commission, Judicial Branch Performance Audit (February 2016) were reviewed. This item will be revisited at the October, 2017 LAC after the Supreme Court case is decided in September 2017.

Recommendation 2 from the Schedule of TABOR Revenue Performance Audit (September 2015) was reviewed. The LAC took no action.

Recommendation 5a from the Office of Film, Television and Media Performance Audit (May 2017) was reviewed. Further discussion ensued regarding the need for oversight of the Office’s accounting processes. This item will be discussed at the October 2017 LAC.

11:44 a.m. The Committee recessed for lunch.

1:00 p.m. COLORADO PUBLIC EMPLOYEES’ RETIREMENT ASSOCIATION (PERA) REPORTS

1:00 p.m. – Colorado Public Employees' Retirement Association
1:07 p.m. Financial Audit, Year Ended December 31, 2016

A motion was made by Representative Nordberg and seconded by Vice-Chair Neville to release the Colorado Public Employees' Retirement Association Financial Audit, Year Ended December 31, 2016. The motion passed by a vote of 8-0.

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

1:07 p.m. – Colorado Public Employees' Retirement Association
1:18 p.m. Comprehensive Annual Financial Report (CAFR)
For the Year Ended December 31, 2016

Mr. Rey provided an overview of the CAFR.
1:18 p.m. – Presentation on the Actuarial Valuation of the Public Employees’ Retirement Association of Colorado as of December 31, 2016
3:01 p.m. –

Eric H. Gary, Edward J. Koebel and Greg Smith presented on the *Actuarial Valuation of the Public Employees’ Retirement Association of Colorado as of December 31, 2016*. PERA staff provided and reviewed a handout entitled *Legislative Audit Committee, Gregory W. Smith, Executive Director, July 24, 2017*. Further discussion ensued regarding factors utilized to calculate the percentage of monies allocated from active membership growth to pay off unfunded liabilities from retirees or inactive employees. PERA staff outlined methods employed to calculate the rate of growth of State employees in PERA, and modeling used in the event of a potential downturn in the Colorado economy. In addition, PERA staff clarified reasons for the increase in the amount of time now projected for the plan to become 100 percent funded, factors affecting the change in the timeline, and the effect of the changing mortality rate on assessing future risk.

3:01 p.m. – GENERAL BUSINESS
3:16 p.m.

AUDIT REQUEST

**Colorado Public Employees’ Retirement Association (PERA)**

State Auditor Ray presented a request submitted by Senator Larry Crowder for an audit of the Colorado Public Employees’ Retirement Association (PERA). Mr. Smith provided preliminary information regarding the three questions outlined in the request. A motion was made by Representative Saine to approve the request for research. Due to the lack of a second, no action was taken on the motion. The audit request will not move forward.

3:16 p.m. – The Committee recessed for the day.
The LAC was reconvened on July 25, 2017 at 9:00 a.m. in Hearing Room B (Audit Hearing Room), Legislative Services Building. Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Donovan (arrived at 9:02 a.m.), Senator Jahn, Representative Kraft-Tharp, Senator Neville, Representative Nordberg, Representative Saine, Senator Smallwood, Representative Winter

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

**OTHER LEGISLATORS PRESENT:** Representative Susan Beckman, Representative Kimmi Lewis, Senator Jerry Sonnenberg

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Monica Bowers, Deputy State Auditor; Carleen Armstrong, Crystal Dorsey, Sarah Grider, Christopher Harless, Jenny Page

**ALSO PRESENT:** Kevin Patterson, Brian Braun, Beth Deines, Connect for Health Colorado; Jennifer Okes, Department of Education; Gina Lanier, Adams/Arapahoe 28J School District; Marcia Waters, Brian Tobais, Department of Regulatory Agencies; David Anderson, Amy Greenwell, Michael D. Menefee, Andrew F. Seidl, Colorado State University

**9:00 a.m. – 10:00 a.m.** Colorado Health Insurance Benefits Exchange: Connect for Health Colorado Performance Audit, June 2017

A motion was made by Representative Nordberg and seconded by Representative Saine to release the Colorado Health Insurance Benefits Exchange: Connect for Health Colorado Performance Audit, (June 2017). The motion passed by a vote of 7-0.

Following introductions and opening remarks by Monica Bowers, Jenny Page, Carleen Armstrong, and Sarah Grider provided an overview of the audit.

Recommendation 1 was reviewed, discussed and agreed to by Connect for Health Colorado (C4H) staff. The LAC expressed appreciation regarding C4H staff’s work on quickly implementing elements of the recommendation.
Recommendation 2 was reviewed, discussed and agreed to by C4H staff. Further discussion ensued regarding methods employed to categorize complaints and appeals submitted to C4H, and information collected in tracking statistics related to the submissions. In addition, C4H staff provided information around call-center logistics for open enrollment and other customer service functions, and issues identified regarding eligibility monitoring and notification.

10:00 a.m. – Fiscal Health Analysis, Fiscal Years 2014-2016
10:38 a.m. – Colorado School Districts Informational Report, July 2017

A motion was made by Representative Nordberg and seconded by Senator Jahn to release the Fiscal Health Analysis, Fiscal Years 2014-2016, Colorado School Districts Informational Report (July 2017). The motion passed by a vote of 8-0.

Following introductions by State Auditor Ray, Crystal Dorsey provided an overview of the report. Jennifer Okes discussed the Colorado Department of Education’s (CDE) oversight of actions taken to aid school districts with financial management. Further discussion ensued regarding progress made toward addressing missed benchmarks and steps taken to address issues.

Gina Lanier from Adams/Arapahoe 28J School District reported on her district and on plans to mitigate future issues by including measures such as soliciting community engagement and evaluating trends. Ms. Dorsey also read statements provided by Ellicott School District 22, and Steamboat Springs School District RE-2 addressing information contained in the report.

10:38 a.m. – GENERAL BUSINESS
11:34 a.m.

Conservation Easement Tax Credit Program

Representatives Kimmi Lewis and Susan Beckman, and Senator Jerry Sonnenberg joined the hearing

Status Report
Following introductions and opening remarks by Monica Bowers, Jenny Page reviewed highlights from the Conservation Easement Tax Credit Program, After Changes in 2014, Performance Audit (December 2016).

Marcia Waters provided an overview of the implementation status of recommendations addressed to the Department of Regulatory Agencies (DORA) in the audit. Further discussion ensued regarding specifics around challenges associated with reviewing applications. DORA staff detailed modifications made to the fee-
setting process to track all portions of the fiscal year and to enhance communication with appraisers. Further, DORA staff discussed the disbanded placeholder process, and provided clarification regarding funding methods utilized to staff and manage the program.

Brian Tobias provided an overview of the sunset review process as it pertains to the Conservation Easement Tax Credit Program. The statutory provision instituted to create the Conservation Easement Oversight Commission and the statutory provision to create the easement holder certification process are scheduled to repeal, while the tax credit and general program will remain.

**Colorado’s Return on Investments in Conservation Easements: Conservation Easement Tax Credit Program and Great Outdoors Colorado, 2017 CE Study**

Following introductions of Colorado State University (CSU) staff by Michael D. Menefee, Andrew F. Seidl provided official copies of the *Colorado’s Return on Investments in Conservation Easements: Conservation Easement Tax Credit Program and Great Outdoors Colorado, 2017 CE Study*, and provided an overview of the study. Further discussion ensued regarding possible omissions of information on the map included in the study. CSU staff will follow up with Representative Lewis offline regarding details of the map.

**Legislation Discussion**

Ms. Page provided an overview of the key policy issues raised by the *Conservation Easement Tax Credit Program, After Changes in 2014, Performance Audit* (December 2016) relating to expanding reporting by the division, and the Commission’s authority. The LAC decided to wait until after the sunset review of the program is completed in October 2017 to discuss potential legislation.

11:34 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearings are September 18, 2017 at 10:00 a.m.; and September 19, 2017 at 9:00 a.m. in Legislative Services Building, Hearing Room B (Audit Hearing Room).

Minutes submitted by: Marcie Jacobs
Executive Assistant to the State Auditor
Office of the State Auditor