Legislative Audit Committee
October 30-31, 2017
Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on October 30, 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 Marble (arrived at 10:03 a.m.), Senator Neville, Representative Nordberg, Representative Saine, Representative Winter (arrived at 10:01 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, Kerri Hunter, Deputy State Auditors; Kevin Amirehsani, Crystal Dorsey, Nina Frant, Vickie Heller, Heather McFadden, Monica Power, Kate Sabott, James Taurman, Heidi Wagner, Stefanie Winzeler

ALSO PRESENT: Bob Randall, Department of Natural Resources; Bill Ryan, Greg Moffet, Colorado State Board of Land Commissioners; Stephanie Copeland, Jeff Kraft, Office of Economic Development and International Trade; Carrie Schiff, Colorado Economic Development Commission; Robert Jaros, Jeffrey Kahn, Office of the State Controller; Joy Huse, Tom Lipetzky, Department of Agriculture; Melanie Snyder, Jon Reitan, Department of Law; Esther van Mourik, Office of Legislative Legal Services
10:00 a.m. – State Land Board
11:04 a.m. Department of Natural Resources Performance Audit, October 2017

A motion was made by Representative Saine and seconded by Vice Chair Neville to release the State Land Board, Department of Natural Resources Performance Audit (October 2017). The motion passed by a vote of 8-0.

Following introductions and opening remarks by Monica Bowers, Kevin Amirehsani, James Taurman, and Heidi Wagner provided an overview of the audit.

Recommendation 1 was reviewed and agreed to by staff from the Colorado State Board of Land Commissioners (State Land Board).

Recommendation 2 was reviewed, discussed, and agreed to by State Land Board staff. In addition, State Land Board explained the use of fiscal impact study models in previous years, and clarified reasons why a fiscal impact study was not used in recent years.

Recommendation 3 was reviewed, discussed, and agreed to by staff from the State Land Board. Further discussion ensued regarding property assessment processes employed to maintain properties and mitigate erosion issues.

Recommendation 4 was reviewed and agreed to by State Land Board staff.

Recommendation 5 was reviewed and agreed to by staff from the State Land Board.

Recommendation 6 was reviewed and agreed to by State Land Board staff.

State Land Board staff addressed questions regarding the possible need to draft legislation in order to provide enhanced clarification and guidance around improving internal controls and determining the fiscal impact of a lease, sale, or exchange of land for development as detailed in Recommendations 1 and 2. The Committee decided to have OSA staff work with the State Land Board to develop ideas to present at the December, 2017 LAC hearing.

11:04 a.m. – GENERAL BUSINESS
11:10 a.m.

Approval of Minutes from September 18-19, 2017
A motion was made by Representative Saine and seconded by Representative Winter to approve the Minutes from September 18-19, 2017. The motion passed by a vote of 8-0.
Proposed 2018 Session Calendar
State Auditor Ray submitted the Proposed 2018 Session Calendar, and noted that there are five LAC hearings proposed for the upcoming session. The calendar will be voted upon at the December 2017 Legislative Audit Committee hearing.

OSA Annual Report
Greg Fugate reviewed the 2017 Office of the State Auditor Annual Report. The Committee requested that OSA staff provide copies of the reports at each upcoming SMART Act hearing.

11:10 a.m. The Committee recessed for lunch.

1:30 p.m. – Regional Tourism Act
2:54 p.m. Governor’s Office of Economic Development and International Trade Performance Audit, October 2017

A motion was made by Representative Nordberg and seconded by Representative Saine to release the Regional Tourism Act, Governor’s Office of Economic Development and International Trade Performance Audit (October 2017). The motion passed by a vote of 6-0.

Following introductions and opening remarks by Monica Bowers, Vickie Heller provided an overview of the audit and reviewed Chapter 1.

1:36 p.m. Senator Donovan arrived.

1:43 p.m. Vice Chair Neville arrived.

Chapter 2 of the audit was reviewed. Discussion ensued regarding procedures and criteria utilized to approve applications for tourism projects. Office of Economic Development and International Trade (OEDIT) and Colorado Economic Development Commission (EDC) staff provided further clarification around how statutory requirements are interpreted to evaluate applications, and methods available to remedy situations when an approved project’s focus strays from the initially stated intent.

Recommendation 1 was reviewed and agreed to by staff from OEDIT. In addition, OEDIT provided an update on the status of approved projects, confirming that none are currently operational.

OSA Staff reviewed the Policy Considerations section of the audit. Further discussion ensued regarding possible benefits of enacting legislation to increase accountability for approved projects.
2:54 p.m. – Schedule of TABOR Revenue
3:06 p.m. Fiscal Year 2017
Performance Audit, October 2017

A motion was made by Senator Jahn and seconded by Representative Winter to release the Schedule of TABOR Revenue, Fiscal Year 2017 Performance Audit (October 2017). The motion passed by a vote of 8-0.

Following introductions by Kerri Hunter, Monica Power and Heather McFadden provided an overview of the audit.

3:06 p.m. – GENERAL BUSINESS
3:08 p.m.

Status Report
Robert Jaros provided an overview of the implementation status of recommendations addressed to the OSC in the Schedule of TABOR Revenue, Fiscal Year 2016 Performance Audit (October 2016). The LAC commended OSC staff for filing their report on time.

3:08 p.m. – Cash Funds Uncommitted Reserves
3:27 p.m. Fiscal Year Ended June 30, 2017
Performance Audit, October 2017

A motion was made by Senator Donovan and seconded by Vice Chair Neville to release the Cash Funds Uncommitted Reserves, Fiscal Year Ended June 30, 2017 Performance Audit (October 2017). The motion passed by a vote of 8-0.

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

Recommendation 1 was reviewed, discussed, and agreed to by Department of Agriculture (CDA) staff. Further discussion ensued regarding the amount of flexibility provided in statute to allow CDA to work within the system to meet all of the needs of the Department.

Recommendation 2 was not discussed.

Recommendation 3 was reviewed and agreed to by Department of Law staff.
3:27 p.m. - GENERAL BUSINESS

4:03 p.m.

Legislation Discussion
Monica Bowers reviewed highlights of Bill Draft LLS NO. 18-0322.01 Concerning Strengthening the Requirements Necessary to Earn Performance-Based Incentives for Film Production. Discussion ensued regarding criteria by which companies might be evaluated as in-state status for approval for incentives by the Office of Film, Television, and Media (COFTM). In addition, departmental scope of training and process requirements to include in the bill were considered. The LAC decided to have a bill draft specifically relating to the Office of Film, Television, and Media with the training options presented at the hearing in December.

4:03 p.m. The Committee recessed for the day.
The LAC was reconvened on October 31, 2017 at 9:00 a.m. in Joint Committee Room 271. Chair Kraft-Tharp called the meeting to order. The roll was called with the following result:

PRESENT: Legislative Audit Committee
Senator Donovan, Senator Jahn, Representative Kraft-Tharp, Senator Marble (arrived at 9:15 a.m.), Senator Neville (arrived at 9:08 a.m.), Representative Nordberg, Representative Saine, Representative Winter

Capital Development Committee
Senator Baumgardner, Representative Becker, Representative Esgar, Representative Hansen, Senator Kefalas, Senator Sonnenberg

Joint Budget Committee
Representative Hamner, Senator Lambert, Senator Lundberg, Senator Moreno, Representative Rankin (arrived at 9:11 a.m.), Representative Young

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

OTHER LEGISLATOR PRESENT: Representative Jeni James Arndt

OSA STAFF PRESENT: Dianne E. Ray, State Auditor; Monica Bowers, Matt Devlin, Kerri Hunter, Deputy State Auditors; Nina Frant, Jenny Page, Kate Shiroff

ALSO PRESENT: Don Brown, Chris Wiseman, Joy Huse, Department of Agriculture; Sarah Cummings, Colorado State Fair Authority; Larry Friedberg, Eric Scholz, Office of the State Architect; June Taylor, Kim Burgess, Department of Personnel and Administration; Sara Wager, Clint Woodruff, Jeremy Hill, Department of Human Services; Robert Jaros, Office of the State Controller
9:00 a.m. – State Fair Discussion
10:17 a.m.

Following opening remarks by Chair Kraft-Tharp and introductions of agency staff by Commissioner Brown, State Architect Larry Friedberg provided an overview of the visioning process developed for the Colorado State Fair.

Committee members were allowed time to ask questions and make comments regarding the current state of the Colorado State Fair (State Fair), and future goals for the program. Members expressed opinions on a wide range of topics including acceptance that the State Fair does not need to be a for-profit enterprise, benefits of utilizing the State Fair to promote agriculture in Colorado, the status of State Fair infrastructure, questions around State Fair funding sources and fundraising efforts, concerns regarding the City and County of Pueblo’s role in using State Fair facilities in the off-season, and the need for a cohesive vision and direction for the program.

The Committee decided to form a State Fair Sub-Committee consisting of two members from each participating joint committee to address issues identified in the hearing. Prospective appointees will submit their requests for participation to Chair Kraft-Tharp, or to LAC staff, for consideration for appointment to the committee.

Following adjournment of the State Fair joint committee portion of the hearing, Capital Development Committee members, Joint Budget Committee members, and Senator Donovan and Representative Saine left the hearing.

10:17 a.m. The Committee recessed briefly.

10:22 a.m. – Annual Report: Status of Outstanding Audit Recommendations as of June 30, 2017
10:38 a.m. Informational Report, October 2017

A motion was made by Representative Winter and seconded by Vice Chair Neville to release the Annual Report: Status of Outstanding Audit Recommendations as of June 30, 2017 Informational Report (October 2017). The motion passed by a vote of 6-0. Following introductions and opening remarks by Matt Devlin, Jenny Page provided an overview of the report including an explanation of the report structure.
10:38 a.m. – GENERAL BUSINESS
10:58 a.m.

Annual Compensation Study, Department of Personnel and Administration Update

Nina Frant reviewed the Performance Audit of the Department of Personnel & Administration’s Annual Compensation Study (May 2016). Department of Personnel and Administration (DPA) staff addressed questions resulting from the study. Further discussion ensued regarding criteria utilized to identify data to collect, and methods used to review survey data for accuracy.

Status Report
Contracting for Services – Selection Process, Department of Human Services Performance Audit, August 2016

Following an overview by Kate Shiroff of recommendations addressed in the Contracting for Services – Selection Process, Department of Human Services Performance Audit (August 2016), Department of Human Services (DHS) staff provided an update on recommendations addressed to DHS in the audit, reporting that all have been implemented. In addition, Robert Jaros reported that the status of the recommendation addressed to DPA is implemented and ongoing.

State Fair Committee Appointees
Chair Kraft-Tharp reminded Committee members that the LAC is seeking two appointees from the LAC to serve on a State Fair Committee to discuss issues addressed in the hearing.

11:23 a.m. There being no further business to come before the LAC, the hearing adjourned. The next scheduled hearings are December 4, 2017 at 10:00 a.m.; and December 5, 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