Legislative Audit Committee
December 9, 2019 (Revised January 14, 2020)
Minutes

December 9, 2019

A meeting of the Legislative Audit Committee (LAC) convened on December 9, 2019, at 10:00 a.m. in the Legislative Services Building, Audit Hearing Room B. Representative Lori Saine called the meeting to order. Roll was called with the following results:

Committee Members

Representative Susan Beckman, Senator Rhonda Fields (arrival 10:02 a.m.), Senator Joann Ginal, Representative Tracy Kraft-Tharp, Senator Paul Lundeen, Representative Dafna Michaelson Jenet, Senator Jim Smallwood, Representative Lori Saine (Chair)

The following Office of the State Auditor (OSA) staff and others attended:

OSA

Dianne E. Ray, State Auditor; Matt Devlin, Deputy State Auditor; Kerri Hunter, Deputy State Auditor, Cindi Radke, Terry Paulson, Lynn Obremski, Nina Frant, Monica Power, Brad Walcher, Marisa Edwards, Greg Fugate

Other Attendees

CliftonLarsonAllen LLP
Paul Niedermuller, Principal
Colorado Department of Education
Dr. Katy Anthes, Commissioner of Education
Marcia Bohannon, Chief Information Officer
Corey Kispert, Chief Security Officer

Colorado State University
Joyce McConnell, President, Colorado State University
Lynn Johnson, Vice President University Operations and Chief Financial Officer, Colorado State University/Deputy Chief Financial Officer, Colorado State University System
David Ryan, Controller, Colorado State University
Henry Sobanet, Chief Financial Officer, Colorado State University System

Metropolitan State University of Denver
Dr. Janine Davidson, President
Dr. George Middlemist, Associate Vice President of Administration and Chief Financial Officer
Kevin Taylor, Associate Vice President of Information Technology and Chief Information Officer

Office of the State Controller
Robert Jaros, Colorado State Controller

Plante Moran, PLLC
Lisa Meachem, Partner

Rubin Brown
Matthew Marino, Partner

University of Northern Colorado
Michelle Quinn, Senior Vice President for Finance and Administration and Chief Financial Officer
Ashley Bishop, Controller
10:03 a.m.

**Information Technology Audit of a Mission Critical System, IT Performance Audit, Colorado Department of Education, November 2019**

Concern was raised about releasing the public portion of the audit. Discussion ensued about the audit as it related to sources and methods of data security at the Department of Education.

A motion was made to release the *Information Technology Audit of a Mission Critical System, IT Performance Audit, Colorado Department of Education, November 2019*. Representative Saine seconded the motion and the motion failed 7 - 1. The results were as follows:

- Representative Beckman – No
- Senator Fields – No
- Senator Ginal – No
- Representative Kraft-Tharp – No
- Senator Lundeen – No
- Representative Michaelson Jenet – No
- Senator Smallwood – No
- Representative Saine – Yes

Senator Lundeen made a motion to move to executive session for discussion of the *Information Technology Audit of a Mission Critical System, IT Performance Audit, Colorado Department of Education, November 2019*. Representative Michaelson Jenet seconded the motion and the motion passed unanimously.

10:10 a.m.

Meeting moved to Executive Session Pursuant to Sections 24-6-402(3)(a)(IV), C.R.S.

11:27 a.m.

Executive Session concluded.

Discussion ensued about implementing accelerated timelines and the importance of reprioritizing resources to ensure student data is protected. Additionally, within 6 months, the Department of Education was asked to provide a full report of all its policies.

It was also requested that the Office of the State Auditor develop policies around public and private audits.
11:30 a.m.

**General Business:**

**Minutes**

Representative Michaelson Jenet made a motion to approve the November 4 – 5, 2019, LAC hearing minutes. Representative Kraft-Tharp seconded the motion. The motion passed 6 - 0. Representative Beckman and Senator Ginal abstained.

**Legislation**

**Permissible Uses of State-Owned Motor Vehicles Draft Bill**

Ms. Frant introduced self, the bill drafter, and Mr. Jaros (Office of the State Controller). Ms. Frant presented an overview of the legislation.

Senator Smallwood made a motion to move to bill paper. Representative Kraft-Tharp seconded the motion. A roll call vote was taken. The motion passed unanimously.

Primary sponsors: Senator Smallwood and Senator Fields, Representative Michaelson Jenet and Representative Beckman. Representative Bockenfeld.


**OSA Attorney–Client Privilege (Reporting Back from Stakeholders)**

Auditor Ray presented a follow-up on the previously approved *OSA Attorney–Client Privilege* legislation. Auditor Ray is working with the AG on some language changes, and the Governor’s Office. Auditor Ray anticipates that another draft will be available at the January 14, 2020, LAC hearing for review.

**Additional Discussion**

Follow-up was requested on the State Treasurer’s notification procedures in regard to unclaimed property. Senator Smallwood made a motion to have the Office of the State Auditor draft a letter to the Treasurer’s office clarifying the notification process. Senator Fields seconded the motion and the motion passed unanimously. The draft letter is scheduled to be presented to the LAC by the January 14, 2020, hearing for approval.
Follow-up was requested on the State Fair, specifically the Fair’s timeline to meet the recommendations presented during the November 4 – 5, 2019, LAC hearing, as well as the statute requirement to present an annual report by October 31 of each year. Representative Kraft-Tharp made a motion that the Office of the State Auditor draft a letter to the JBC requesting that funds be withheld from the State Fair until statutory requirements were met. Senator Fields seconded the motion. The motion passed unanimously. The draft letter is scheduled to be presented to the LAC by the January 14, 2020, hearing for approval.

LAC Suggestions for Addressing Unimplemented Audit Recommendations

Auditor Ray presented a list of the suggestions provided by the Committee at the November LAC hearing and asked if the committee wanted to take any action. There were no comments.

Investigation Request

Auditor Ray presented an overview of the request from Senator Lundeen and Representative Bockenfeld to investigate a previous administration’s use of federal funds for legal services from the Jobs and Growth Tax Relief Reconciliation Act of 2003. General discussion ensued about federal funds received by state departments, noting that a financial audit is conducted each year that requires departments and agencies to report on each of these federal funds, amounts awarded, and amounts spent. This federal program was reported in 2003, 2004, and 2005.

Senator Fields made a motion to call for a vote on the Investigation Request. Representative Kraft-Tharp seconded the motion. A roll call vote was conducted. The motion failed on a split vote. The results are as follows:

Representative Beckman – Yes
Senator Fields – No
Senator Ginal – No
Representative Kraft-Tharp – No
Senator Lundeen – Yes
Representative Michaelson Jenet – No
Senator Smallwood – Yes
Representative Saine - Yes

12:17 p.m.

Recess
1:32 p.m.

Audits/Reports

Higher Education Financial Audits

**State of Colorado, University of Northern Colorado, Financial and Compliance Audit, Years Ended June 30, 2019 and 2018**

Representative Michaelson Janet made a motion to release the *State of Colorado, University of Northern Colorado, Financial and Compliance Audit, Years Ended June 30, 2019 and 2018*. Senator Ginal seconded the motion and the motion passed unanimously.

Ms. Hunter introduced self, staff, and contractor.
Ms. Quinn (University of Northern Colorado) introduced self and staff.
Mr. Marino (Rubin Brown) presented an overview of the report and Recommendation #1.

Recommendation #1 - Information Technology General Controls – Logical Access for Colorado Operations Resource Engine and Banner was summarized, indicating that it was agreed to by the University of Northern Colorado.

1:56 p.m.

**Metropolitan State University of Denver, Financial and Compliance Audit, Years Ended June 30, 2019 and 2018**

Senator Fields made a motion to release the *Metropolitan State University of Denver, Financial and Compliance Audit, Years Ended June 30, 2019 and 2018*. Senator Smallwood seconded the motion and the motion passed unanimously.

Ms. Hunter introduced self, staff, and contractor.
Dr. Davidson (Metropolitan State University) introduced self and staff.
Ms. Meachem (Plante Moran, PLLC) presented an overview of the report and Recommendations #1 - #3

Discussion ensued regarding statements of net position and it was noted that the statements do not indicate if the bonds and long-term debt are part of the state intercept program.

Recommendation #1 - Information Technology General Controls – Banner Information Security
Recommendation #2 - Information Technology General Controls – Change Management for Banner
Recommendation #3 - Information Technology General Controls – IT Operations Controls for Endpoint Protection and Vulnerability Management were all summarized, indicating that the University agreed with all three recommendations.
Discussion ensued regarding the portion of student debt that was considered uncollectible. The University clarified that uncollectible student debt was approximately 2 percent. Further discussion centered on decreased enrollment and increased staffing. The University noted that enrollment fluctuates with the unemployment rate in Colorado and that they have a 26:1 student to staff ratio.

Dr. Davidson provided closing comments.

2:25 p.m.

**Colorado State University System, Financial Statements and Independent Auditors’ Reports, Financial Audit Years Ended June 30, 2019 and 2018 and Compliance Audit, Year Ended June 30, 2019**


Ms. Hunter introduced self, staff, and contractor.

Ms. McConnell (Colorado State University) introduced self and staff.

Mr. Niedermuller (CliftonLarsonAllen, LLP) presented an overview of the report.

There were no significant findings or recommendations.

Ms. McConnell provided closing statements.

2:53 p.m.

**General Business:**

**OSA Annual Report**

Mr. Fugate presented an overview of the *OSA Annual Report*.

**Session Calendar for Approval**

Senator Fields made a motion to approve the *Session Calendar*. Representative Michaelson Jenet seconded the motion and the motion passed unanimously.

**Procedures for January Election of Vice Chair**

Auditor Ray presented an overview of the *Procedures for January Election of Vice Chair*. The next Vice Chair will be a Democrat from the House and the next Chair will be Representative Saine.
3:00 p.m.

**Reports Released Without a Hearing**

Representative Michaelson Jenet made a motion to release the *Reports Released Without a Hearing*. The motion was seconded by Representative Beckman and the motion passed unanimously.

Ms. Hunter presented an overview of the reports.

3:03 p.m.

**Information Only**

No action required.

**Hearing adjourned at 3:04 p.m.**

Minutes submitted by:

   Jayne Watson
   Executive Assistant, Office of the State Auditor