

**OFFICE OF THE GOVERNOR
FY 2014-15 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Tuesday, January 7, 2014
3:00 pm – 5:00 pm**

3:00-3:15 INTRODUCTION AND OPENING COMMENTS

3:15-3:20 OFFICE OF THE GOVERNOR

1. Please describe how the department responds to inquiries that are made to the department. How does the department ensure that all inquiries receive a timely and accurate response?

Response: The Governor's Office utilizes Salesforce which serves to consolidate communications within the office, including telephones, faxes, emails and letters. This system provides one communication tracking system within the office. The system generates monthly reports that are reviewed monthly by senior staff. As a result, any problems can be identified and addressed promptly.

2. Please comment on staff's recommendation in the Department of Personnel briefing regarding JBC indirects policies that would require all executive branch departments' statewide indirects to be sent to and used by the Governor's Office to offset General Fund there rather than in department budgets

Response: The recommendation to consolidate the statewide indirect costs and apply them to the Governor's Office represents a significant departure from the current practice of appropriating statewide indirect cost expenses in different departments. Ideally, this new practice would be a net zero cost to the State. However, its implementation would require a number of appropriation and accounting adjustments within the agencies. In addition, changing the fund sources that support personal services line items has paydate shift implications which could impact the overall cost of the recommendation. These unintended consequences could result in an overall net cost to the State with very little budgetary benefit. Our belief is that this recommendation needs further study and analysis before being implemented.

3. How many hours of staff time (in hours) in the Office of the Governor have been consumed by the redevelopment of the Fort Lyon facility? Additionally, how many hours have been consumed by Roxanne White, specifically, on the redevelopment of the Fort Lyon facility?

Response: As an appointee of the Governor, Ms. White's service with the State is at the pleasure and direction of the Governor.

Ft. Lyon and the related issues of rural economic development, mental health and substance abuse, homelessness, veteran's issues, and prison utilization are recurring policy issues. For the Chief of Staff to the Governor, these issues arise during standing and ad hoc meetings with

Cabinet members, policy staff, elected officials, and members of the public or their representatives. As such, we are not able to provide exact time spent specifically on any one subject including Ft. Lyon.

3:20-3:25 COLORADO ENERGY OFFICE

4. Please provide an update on the status of implementing the audit recommendations for the Colorado Energy Office.

CEO Response: The Colorado Energy Office (CEO) has reported to the Colorado Office of the State Auditor that all of the recommendations stemming from its 2012 performance audit of the CEO have either been fully implemented¹ or are implemented and ongoing².

The 2012 performance audit of the CEO pinpointed several areas in need of improvement, particularly in the areas of program, contract and office management. The CEO agreed with all of the audit recommendations and committed significant time and resources to ensure that those recommendations were implemented in a thorough and timely manner. The following are a few highlights of the performance improvements that the CEO has implemented since the time of the audit, reflecting the nature and magnitude of the actions taken:

- Redesign of Chart of Accounts – CEO redesigned its chart of accounts in a manner that allows it to more effectively track expenditures by both the funding source and the program/project being funded.
- Development of Budgeting Tools – The redesign of its chart of accounts allowed CEO to develop budgeting tools that pull directly from the Colorado Financial Reporting System (COFRS) and allow CEO staff to track budget-to-actual data in real-time.
- Redesign of Procurement / Program Processes – CEO redesigned its processes for planning, executing and managing procurements and programs. The new processes emphasize the need to align procurement/program proposals with the vision/mission of the office, develop quantitative goals and budgets with which to track performance, and manage and document performance in order to determine if procurements/programs should continue or be terminated based on cost-effectiveness.
- Adoption of Formal Policies & Procedures – CEO adopted a formal manual of policies and procedures that outline requirements and expectations for planning, executing, monitoring and managing procurements and programs, as well as general office policies and procedures.

¹ A recommendation is considered “implemented” when all aspects of the recommendation have been completed

² To be considered for this category, a recommendation usually addresses internal control issues. This type of recommendation is considered “implemented and ongoing” when the agency (1) has put internal controls into place that are operating as intended and (2) will evaluate the controls on an ongoing basis and modify them as needed

- Development & Delivery of Training Curriculum – CEO developed a training curriculum to address the new tools and policies and procedures that were adopted and provided training to all CEO staff.
- Organization of Central Repository – CEO evaluated its central repository of information, eliminated all unnecessary contents, and organized the contents that were deemed to be essential to operations by utilizing consistent naming conventions. The central repository is accessible to all CEO staff.

The CEO has also redesigned its supervisory review process, thus creating a system of checks-and-balances that ensures compliance with its new policies and procedures, and has incorporated staff proficiency with the new processes/tools as a metric in its annual staff performance evaluations. The CEO recognizes that continuous process improvement requires a daily commitment to excellence and is based on personal accountability. This is a commitment that the CEO - its leadership and staff - have made and will continue to make in order to ensure that it continues to be a responsible steward of taxpayer dollars.

5. Please provide an update on the status of the follow-on audit of the Colorado Energy Office.

CEO Response: The Colorado Office of the State Auditor is currently (as of 12/31/13) drafting the Request for Proposal (RFP) that will be used to procure a contractor to conduct the follow-on audit of the CEO. The CEO has been working in partnership with the Colorado Office of the State Auditor to provide the pertinent information required to complete the RFP. It has been communicated to the CEO that the RFP will be completed and published in January 2014, meaning that the selected contractor will likely begin work in February 2014.

The Colorado Office of the State Auditor has set a Legislative Audit Committee Hearing date for this audit for October 2014.

3:25-3:30 OFFICE OF STATE PLANNING AND BUDGETING

6. Do the time saving efficiencies identified by implementing LEAN processes ever translate into savings in the departments' budgets? How can OSPB quantify the amount of moneys associated with these improvements?

OSPB Response: Yes. At the beginning of the Lean project, OSPB identified four ways of quantifying benefits from improved processes: cash savings, costs avoided, time saved by employees or customers, and increased output. We are in the process of assigning values to the major achievements in the project where cash savings were not the primary result.

However, we note that the tax pipeline project is already returning permanent annual cash savings to the General Fund.

For each Lean project, departments are asked to benchmark measurable outputs in advance of the project, and to track improvements against those benchmarks. The Lean Program Office tracks these results. When improved processes can result in reduced appropriations, OSPB will work with departments to submit appropriate budget requests.

In many cases, time efficiencies in processes translate directly into reductions or eliminations of backlogs and improved ability to maintain appropriate response times.

Examples of successful projects include:

- Examining the process by which educator license investigations are conducted in the Department of Education carved off more than 100 days from the resolution cycle for new cases.
- Scrutinizing the process for patients awaiting admission for treatment at the Colorado Mental Health Institute at Pueblo resulted in a 64% reduction in wait periods.
- Studying the steps required for businesses to receive reimbursement payments from the Department of Labor and Employment reduced the overall time from 84 days to 15 days.

A complete summary of the Lean Program's first eighteen months of operation will be available on January 7th.

7. Why has the legislature not received any budget reduction requests as a result of the implementation of LEAN processes?

OSPB Response: A budget reduction request was submitted for FY 2013-14 in November 2012. The Department of Personnel and Administration worked jointly with the Department of Revenue to submit a request to reduce ongoing appropriations for tax pipeline processing. After an initial investment in new equipment, this single Lean project will result in annual savings of approximately \$2.1 million each year and 38.8 FTE. The initial program was funded with flexible funds within the State's ARRA allocation.

8. Do you anticipate that funds will be needed on an ongoing basis in the Office of the Governor to implement LEAN?

OSPB Response: Yes. OSPB believes that a permanent appropriation of some amount would benefit Colorado over time. However, as the Lean Program has evolved in its first three years, our assessment of the most effective level of appropriations has changed. The FY 2014-15 request for the Lean Program is likely close to what we believe would be an appropriate ongoing amount.

9. How is OSPB integrating SMART act requirements and LEAN processes?

OSPB Response: OSPB has requested ongoing funding to support dedicated staff and contractual support to further the core values of a continuous improvement program focused

on customer service. OSPB anticipates an ongoing need for a centrally coordinated program to facilitate improved performance via process improvement initiatives and a training and development program oriented around operational effectiveness and department performance management. Additionally, ongoing resources will support departments to identify and prioritize their process improvement efforts, train the necessary additional staff for developing an independent culture of continuous improvement, and deploy interdepartmental projects that focus on improving the experience for common customer groups. This coordinating role is one for which OSPB is uniquely and statutorily situated. The budget request for FY 2015-16 will likely include a request for continuation of some statewide process improvement role for the OSPB.

The revised SMART Act strongly encourages the Governor to implement a formal system of continuous process improvement as an important tool in the overall performance management system for State departments. OSPB has therefore closely aligned its Lean Program with the performance planning efforts of departments. We believe they complement each other and worked closely with the General Assembly on the revisions to the SMART Act.

When fully implemented, the Governor's performance management system will require departments to monitor the activities of all of their programs and processes, allowing employees and managers to identify those most in need of LEAN or other process improvement intervention. Managers in departments and OSPB will then be able to prioritize the process improvement efforts most likely to result in improved performance or service.

Furthermore, OSPB and its Lean Program Office have designed a Department Performance Planning Academy to integrate Lean concepts into the broader strategic and operational planning of State agencies. This step is the natural evolution of starting with targeted process improvements and moving to performance management. The current class consists of 38 attendees representing senior leadership from all executive branch agencies.

3:30-4:15 ECONOMIC DEVELOPMENT

Economic Development Commission Incentives

10. Please describe the process the EDC uses to verify that companies have complied with the terms of the job creation incentives. Please provide sample documentation.

OEDIT Response: OEDIT manages the performance-based incentive process with the EDC, providing final review and approval. There are two main EDC incentive programs - the Job Growth Incentive Tax Credit and the Strategic Fund - which follow similar processes. For the Job Growth Incentive Tax Credit program, taxpayers provide two reports to support incentive compliance and the respective incentive calculation and issuance:

1) **Baseline Report** means the report that lists all of a Taxpayer's full-time employees (FTE) for each location in Colorado as of the 12 month period immediately prior to the beginning of

the credit period. For each FTE on the Taxpayer's payroll as of the end of the Base Period, the Taxpayer shall identify: (i) position, (ii) hire date, (iii) Annual Wage, and (iv) FICA payments made by Taxpayer during the Base Period. Such report shall also provide the total number of FTE's and their Average Yearly Wage Rate in Colorado as of the end of the Base Period.

2) **Annual Employment Report** means a report that lists all of a Taxpayer's FTE's for each location in Colorado. Such report will also include for each such FTE: (i) position, (ii) hire date, (iii) Yearly Wage, and (iv) Federal Insurance Contributions Act ("FICA") payments made by Taxpayer. Such report shall also provide an aggregate report totaling the number of FTE's and their Average Annual Wage (AAW) rate in Colorado as of December 31st of the applicable Credit Year.

Net job growth is calculated by taking the number of full-time equivalent (FTE) employees at the end of each calendar year of the credit period and netting out the number of FTE's at the beginning of the credit period (Baseline Report).

In addition, one year after the credit period ends, companies provide a **Final Annual Employment Report** required to confirm maintenance of the mandatory Retention Period for the final Credit Year of the Credit Period.

Finally, OEDIT monitors company reports to determine if any Net Jobs have not met the Retention Period requirement. The Taxpayer will be notified by the EDC that it is required within 90 days of notice by OEDIT to amend the appropriate state tax return that includes any tax credit included for those Net Jobs that did not meet the Retention Period. The Colorado Department of Revenue will be notified of this revoked tax credit.

Sample of redacted Baseline Report and Annual Employment Report are attached.

11. Does the EDC track the performance of the jobs after the period of the agreement has ended? Does the EDC capture the job losses after the incentive has been paid out?

OEDIT Response: As mentioned in the reply to question number 10, the company must submit a Final Annual Employment Report required to confirm maintenance of the Retention Period for the final Credit Year of the Credit Period. If the Taxpayer has not, at a minimum, maintained Net Jobs created as reported in prior years through December 31st of the most recent Credit Year, with an allowance for temporarily vacant positions due to standard employee turnover rates based on the nature of the Taxpayer's job positions and industry sector, then the Taxpayer shall inform the EDC of why the Net Jobs have not been maintained and provide an employment plan providing forecasted Net Job creation for the remaining years of this Agreement. The EDC may review this information and make a determination if this Agreement shall be continued or become null and void, solely at its discretion. In the event the EDC makes a determination that the Agreement shall be null and void, the Taxpayer shall not request an Annual Tax Credit certificate for any subsequent years. In any event, the Taxpayer's Annual Tax Credit Certificates issued in previous years will remain intact for Taxpayer's use.

In addition, OEDIT monitors the press for anecdotal evidence of company's job performance even after agreements have expired.

12. Please discuss how the EDC balances the need to create jobs with the need to create jobs that exceed the average county wage.

OEDIT Response: EDC's discretionary job incentive programs are performance based and pay higher benefits to companies with higher average annual wages.

For the Job Growth Incentive Tax Credit (JGITC), the statute requires that the Average Annual Wage Rate of Net New Jobs in Colorado shall be equal to or greater than 110% of the County Wage where the jobs are located, as supported by the Annual Employment Report submitted by the Taxpayer. OEDIT verifies compliance with the statute throughout the incentive approval, contracting and payment phases. The actual amount of incentive per net new job is equal to 50% of the employer's FICA payments, so as the salary goes up, incentives go up.

For the Strategic Fund Incentive under EDC policy, the following tables reflects potential incentive levels per eligible job based on the annual average wage rate for the net new full-time permanent jobs compared to the county average annual wage rate. Note that the tiers start at 100% of the county's AAW and payments per job increase as the AAW % increases:

Non-Enterprise Zone		Enterprise Zone	
County AAW Rate %	\$ Incentive / Eligible Job	County AAW Rate %	\$ Incentive / Eligible Job
110%	\$2,500	100%	\$2,000
130%	\$3,500	110%	\$3,000
150% or >	\$5,000	120%	\$4,000
		130% or >	\$5,000

Additional consideration may be given to businesses that do not meet the EDC's minimum 100% annual average wage rate requirement if the following criteria are met:

- The business is located in a designated Enhanced Rural Enterprise Zone
- The local community provides rationale to the EDC outlining the businesses' economic importance
- The local community requests consideration for use of an alternative wage rate source and provides documentation that supports that the businesses' annual average wage rate is higher than the annual average wage rate paid by private employer's within their jurisdiction.

13. Please provide more information about the companies that incentives were provided to from FY 2010-11 through FY 2012-13 (e.g. location, industry, types of jobs, etc.).

OEDIT Response: The following JGITC and Strategic Fund summaries provide details including headquarter relocations. Given that job types vary significantly, we can provide the write-ups for each project as needed.

Job Growth Incentive Tax Credits:

Year	No. of Companies	Total Incentive	Total Projected Jobs
2013	21	\$44,065,529	4,134
2012	13	\$33,481,714	3,419
2011	5	\$20,469,912	2,336
2010	5	\$4,041,960	462
2009	3	\$8,056,746	782
Total	47	\$110,115,861	11,133

Company	County	Industry	Tax Credit	FTE's	AAW	Year	HQ
Outdoor Channel (Project Cardinal)	Douglas	Creative Industries	\$ 938,577	74	\$ 76,081	2013	
Project 10 (Hamon Deltak)	Broomfield	Energy & Natural Resources	\$ 1,292,791	127	\$ 87,953	2013	X
Project Ammon (Spectra Logic)	Boulder	Technology and Information	\$ 1,430,081	150	\$ 84,340	2013	
Project Current	Adams	Electronics	\$ 721,660	69	\$ 68,587	2013	
Project Results	Weld	Energy & Natural Resources	\$ 455,175	85	\$ 50,000	2013	
Air Comm	Adams	Aerospace	\$ 147,943	30	\$ 51,300	2013	X
Charter Communications	Douglas	Technology and Information	\$ 893,796	55	\$ 92,727	2013	
Project Lincoln (FMC)	Weld	Advanced Manufacturing	\$ 532,440	50	\$ 69,680	2013	
Personal Capital	Denver	Financial Services	\$ 1,595,358	213	\$ 69,413	2013	
Project Connection (Aircell/GoGo)	Broomfield	Technology and Information	\$ 2,197,781	200	\$ 97,688	2013	
Project Wright	Broomfield	Technology and Information	\$ 12,650,239	850	\$ 109,526	2013	X
Zen Planner	Denver	Technology and Information	\$ 297,970	43	\$ 72,442	2013	
Madwire Media	Larimer	Technology and Information	\$ 2,920,474	346	\$ 47,329	2013	
Digital Globe	Broomfield	Aerospace	\$ 4,359,406	435	\$ 95,521	2013	X
Project Race	Denver	Education	\$ 4,063,098	325	\$ 77,546	2013	
Sympoz	Denver	Technology and Information	\$ 2,575,559	236	\$ 98,411	2013	
Digital Risk	Denver	Financial Services	\$ 1,489,908	250	\$ 65,067	2013	
Horizon Ag Products	Boulder	Food & Agriculture	\$ 527,405	40	\$ 92,451	2013	X
Cool Planet	Arapahoe	Energy & Natural Resources	\$ 3,094,928	393	\$ 60,496	2013	X
Cutter (Weatherford)	El Paso	Energy & Natural Resources	\$ 564,144	84	\$ 49,057	2013	
Summit Materials	Denver	Infrastructure Engineering	\$ 1,316,796	79	\$ 104,101	2013	
Redwood Trust	Douglas	Financial Services	\$ 5,365,600	550	\$ 66,847	2012	
VISA	Douglas	Financial Services	\$ 5,670,731	406	\$ 104,903	2012	
Charles Schwab Douglas CO	Denver	Financial Services	\$ 3,730,602	480	\$ 68,756	2012	
Community Power Corp	Douglas	Energy & Natural Resources	\$ 432,328	45	\$ 68,687	2012	
Finish Line USA Inc.	Boulder	Tourism & Outdoor Recreation	\$ 875,031	98	\$ 74,899	2012	
Surrey Satellite	Douglas	Aerospace	\$ 686,268	70	\$ 110,737	2012	
Woodward	Larimer	Advanced Manufacturing	\$ 7,262,943	971	\$ 76,824	2012	
Datalogix	Denver	Technology and Information	\$ 4,095,798	322	\$ 126,212	2012	
Raymond James (Project Hal)	Denver	Financial Services	\$ 296,268	24	\$ 57,876	2012	
IHS	Douglas	Health & Wellness	\$ 1,625,625	185	\$ 85,000	2012	
Blockbuster	Douglas	Creative Industries	\$ 2,452,461	150	\$ 93,257	2012	X
Advanced Circuits Inc.	Adams	Electronics	\$ 521,688	90	\$ 47,272	2012	
Comcast Corporation	Douglas	Technology and Information	\$ 466,371	28	\$ 91,679	2012	
Cummins Rocky Mountain 2	Adams	Advanced Manufacturing	\$ 853,935	73	\$ 46,369	2011	
PTI USA Manufacturing	Weld	Advanced Manufacturing	\$ 2,205,847	249	\$ 46,321	2011	
Arrow Electronics	Arapahoe	Electronics	\$ 11,417,912	1,250	\$ 79,602	2011	X
Bal Seal	El Paso	Advanced Manufacturing	\$ 1,135,815	211	\$ 49,725	2011	
TriZetto	Arapahoe	Health & Wellness	\$ 4,856,403	553	\$ 87,253	2011	
Outreach Inc.	El Paso	Education	\$ 1,530,470	162	\$ 46,369	2010	X
Cummins Rocky Mountain 1	Adams	Advanced Manufacturing	\$ 384,771	42	\$ 66,740	2010	
Nelnet	Arapahoe	Financial Services	\$ 789,174	75	\$ 55,356	2010	
Mountainside Medical	Boulder	Health & Wellness	\$ 441,921	69	\$ 58,707	2010	
OnTargetjobs	Arapahoe	Technology and Information	\$ 895,624	114	\$ 58,573	2010	X
DaVita	Denver	Health & Wellness	\$ 5,278,728	500	\$ 61,833	2009	X
Sierra Nevada	Arapahoe	Aerospace	\$ 1,887,583	200	\$ 58,573	2009	
Repower USA Corp.	Denver	Energy & Natural Resources	\$ 890,435	82	\$ 61,833	2009	X
TOTALS			\$ 110,115,861	\$ 11,133	\$ 78,262		

Strategic Fund Job Incentives:

Year	No. of Companies	Total Grants	Total Projected Jobs
2013	5	\$2,878,000	601
2012	13	\$5,850,922	2,745
2011	5	\$1,854,266	422
2010	2	\$1,150,000	1,780
2009	7	\$4,642,009	2,324
2008	1	\$42,000	14
2007	1	\$1,200,000	400
Total	34	\$17,617,197	8,286

Name	Industry	Location	Grant Amount	Proj. FTE's	AAW	Intro Year
Project Lift (Thyssen Krupp Robins)	Infrastructure Engineering		\$250,000	50	\$101,280	2013
TerumoBCT	Bioscience	Jefferson (Lakewood)	\$1,250,000	250	\$5,000	2013
Project Whisper	Confidential	Montrose	\$1,250,000	250	\$51,000	2013
ViaWest (Project Costner)	Technology & Information	Douglas County	\$50,000	25	\$60,000	2013
Project 5323		Commerce City	\$78,000	26	\$53,326	2013
Project Heat (Level 3)	Technology & Information	Broomfield	\$1,866,886	577	\$89,931	2012
On Deck Capital (Project 5285)	Financial Services	Denver Metro	\$500,000	200	\$63,228	2012
SW Windpower	Energy & Natural Resources	Jefferson County	\$260,000	52	\$97,946	2012
WHPacific (Project Glacier)	Infrastructure Engineering	Colorado Springs	\$241,349	56	\$99,500	2012
Niagara Bottling	Advanced Manufacturing	Arapahoe (Aurora)	\$38,000	38	\$44,559	2012
Project ARCH (Accelerate)		Adams County	\$341,978	149	\$76,945	2012
Win Wholesales (Project Win)	Advanced Manufacturing	Adams (Aurora)	\$55,000	52	\$46,447	2012
Hitachi (Project Victor)	Technology & Information	Denver Metro	\$640,000	300	\$70,000	2012
Leitner POMA of America Inc. (LPOA)	Transportation & Logistics		\$300,000	100	\$43,680	2012
Avago (Project Beta)	Technology & Information	Fort Collins	\$230,000	92	\$49,783	2012
Cooper Controls (Lighting)	Infrastructure Engineering	Adams	\$321,000	321	\$41,272	2012
DaVita	Health & Wellness	Denver	\$119,209	58	\$58,257	2012
Sisters of Charity	Health & Wellness		\$937,500	750	\$65,000	2012
Entegris, Inc.	Advanced Manufacturing	El Paso	\$109,266	63	\$36,098	2011
Coleman Company	Tourism & Outdoor Rec.,	Golden	\$370,000	74	\$118,000	2011
JBS (Project Quicken)	Food & Agriculture	Weld	\$1,000,000	200	\$70,682	2011
Siemens	Advanced Manufacturing	Boulder	\$250,000	60	\$98,533	2011
Parelli Natural Horsemanship	Tourism & Outdoor Rec.,	Archuleta (Pagosa Springs)	\$125,000	25	\$37,180	2011
Vestas	Energy & Natural Resources		\$1,000,000	1750	\$37,983	2010
Spirae Inc.	Energy & Natural Resources		\$150,000	30	\$93,833	2010
Scottrade	Financial Services		\$259,759	285	\$52,500	2009
Corinthian Colleges	Education	Colorado Springs	\$1,200,000	600	\$41,288	2009
Arrow Electronics	Electronics	Englewood	\$768,250	439	\$84,086	2009
Dot Hill	Technology & Information		\$250,000	100	\$108,800	2009
Bach Composite	Advanced Manufacturing	Fort Lupton	\$164,000	100	\$31,700	2009
SMA America Production	Energy & Natural Resources		\$1,000,000	300	\$30,749	2009
Charles Schwabb	Financial Services	Denver Metro	\$1,000,000	500	\$75,245	2009
Lewis Engineering	Infrastructure Engineering		\$42,000	14	\$36,994	2008
Leprino	Food & Agriculture		\$1,200,000	400	\$43,000	2007
TOTALS			\$17,617,197	8,286	\$56,068	

To note, all projects listed on both tables above were approved by the EDC on an introductory or final basis, however, not all projects have moved forward to sign contracts/receive final approval, create jobs or receive incentives.

14. Please describe how the EDC works with the State’s institutions of higher education to place graduates in positions created by job creation incentives.

OEDIT Response: The EDC is not active in this specific area. Relevant statutes and policies are focused on job creation. However, OEDIT does extensive work with the State’s institutions of higher education, as seen in work with the Advanced Industries Accelerator Act, regional programs, key industry programs, and through a talent agenda that will be introduced to the General Assembly in 2014 through new legislation (an Internship program in the Advanced Industries and a Workforce Study bill).

15. How much funding does the State of Texas provide for new job incentives? Is data available on how effective Governor Perry has been in relocating companies from other states to Texas?

OEDIT Response: Texas utilizes multiple job-incentive programs. Two of the most prominent are the Texas Emerging Technology Fund and the Texas Enterprise Fund. Driven by grants and low-cost loans, the programs had the following subsidies from 2006 through 2012*:

Fund	Period	No. of Companies	Subsidies (\$M's)
Texas Emerging Technology Fund	2006-2012	137	\$202.3
Texas Enterprise Fund	2009-2012	53	\$102.1

* <http://www.goodjobsfirst.org>

For 2013, anecdotal evidence shows that Dell, Google, Apple and Visa made expansions into Texas. Furthermore, OEDIT’s Business Development team competes with Texas often.

Finally, Metro Denver Economic Development Corporation conducted a recent study “Toward a More Competitive Colorado”. Here are some of the key results*:

- State Competitiveness Index: Massachusetts 1st; Colorado 6th; Texas 7th
- Economic Outlook: Utah 1st; Texas 12th; Colorado 16th
- State Business Tax Climate Index: Wyoming 1st; Texas 11th; Colorado 19th

* http://www.metrodenver.org/files/documents/news-center/research-reports/TMCC_IX-FINAL2.pdf

16. Please describe how the EDC is integrating its activities in rural areas of Colorado with the funds received by the Department of Local Affairs for rural economic development.

OEDIT Response: The EDC and DOLA target their economic development in different areas. DOLA generally focuses on housing and public facilities that serve residential and local government customers. The EDC focuses on business incentives and capital access and has several programs that serve rural business customers:

- Enterprise Zones – state income tax credits in economically distressed areas.
- Strategic Fund incentive grants and Job Growth Incentive Tax Credit (discretionary, performance-based incentives designed to capture business relocations and expansions in multi-state competitive situations).
 - Certain requirements are lower for rural customers

- Rural examples:
 - Project Whisper (Montrose county): \$1,250,000 – projected 250 FTE’s
 - Parelli Natural Horsemanship (Archuleta county): \$125,000 – projected 25 FTE’s
- Strategic Initiatives:
 - Rural theatres: \$200,000 in grant funds to help approximately 10 rural theaters convert from analog to digital projection systems.
 - Roaring Fort Virtual Incubator : \$150,000
 - Craig-Moffat County Incubator: \$115,000
 - Southwest CO Accelerator (SCAPE): \$75,000
 - Telluride Venture Accelerator: \$125,000
 - Community Assessment funds (SWOT analysis) coordinated by Rural Development Team at OEDIT partnering with other agencies: \$39,000.

Additionally, OEDIT outside the auspices of EDC does coordinate on rural projects with DOLA:

- The Rural Development Team at OEDIT supports a wide range of rural development efforts.
- OEDIT’s Business Funding and Incentives Division coordinates with DOLA to administer the Community Development Block funds in rural Colorado used for business loans, infrastructure grants (to connect businesses to utilities etc), and feasibility studies. This provides \$2.5 million to rural Colorado each year.
- Rural Economic Development Initiative (REDI) is a grant program that is jointly administered by OEDIT and DOLA and is designed to develop and retain local businesses and jobs in rural Colorado in areas that are dependent on single large employers.

Colorado Tourism Office

17. Please describe how the Office calculates its return on investment figures.

OEDIT Response: Strategic Marketing & Research Inc. (SMARI) goes into our markets with random online surveys to determine Colorado ad awareness. They also ask the survey takers if, once they remember seeing the ads if they were influenced by the ads to travel to Colorado. Another survey question is how much money did you spend on your trip to Colorado. Once those numbers are extrapolated they can determine how many people visited Colorado because of the ad campaign, how much they spent while here, and what that ratio is compared to the cost of the campaign.

Here are the numbers for the 2012 summer campaign: 38,745,360 households were aware of the Colorado Come to Life campaign. 2.4% of them came to Colorado, which resulted in 945,610 trips. Each visitor spent an average of \$950, resulting in total economic benefit to Colorado of \$898,154,923. The cost of media for this campaign was \$4.468 million. That means every dollar spent on the ad campaign generated \$201 dollars in spending by the people who were persuaded to come to Colorado by the ad campaign (ad aware travelers).

18. Is the CTO able to identify a funding level that would constitute a point where the investment in tourism promotion no longer yields increased returns (e.g. a “sweet spot” of funding)?

OEDIT Response: The success of the campaign is more critical than the amount of money spent on it. The prior campaign run by the Colorado Tourism Office (CTO), "In a Land Called Colorado", was poorly accepted and returned only \$100 to \$1, which is good by most standards, but not by our current standards of \$328 to \$1 for summer 2013 "Come to Life" campaign. Michigan spends \$35 million and their direct state/local tax return is 3 to 1. Colorado is 18 to 1, but that is not an exact apples to apples comparison.

19. How much money was expended on the State’s branding initiative?

OEDIT Response: In the 2012-13 fiscal year, the CTO contributed \$300,000 to BrandCo. In the current fiscal year, (2013-14), CTO contributed \$500,000. We have no plans to contribute in the 2014-2015 budget year.

Minority Business Office

20. Please provide a history of expenditures of the Office, including the years under Governor Romer. How do these funding levels compare to the current appropriation?

OEDIT Response: Under Roy Romer, in 1996-1997 the MBO office was appropriated \$148,638 General Fund and 3.0 FTE. Adjusted for inflation using the CPI index this amount is equivalent to \$220,796 in 2013.

Following the Romer Administration, the Office continued to receive approximately the same allocation each year through 2013.

Please see the following table:

Fiscal Year	Funding Level
FY 2000-01	\$146,324
FY 2001-02	\$147,686
FY 2002-03	\$114,336
FY 2003-04	\$111,378
FY 2004-05	\$110,835
FY 2005-06	\$107,843
FY 2006-07	\$108,000
FY 2007-08	\$178,433
FY 2008-09	\$192,930
FY 2009-10	\$160,885

After FY 2009-10, the MBO budget was rolled into the Global Business Development Business line item. OEDIT’s funding request will allow the Office to better integrate and serve the Minority/Women Owned Business community across the State.

21. Please describe the tasks performed by the Office since its inception, and explain how they differ from the activities for which the Office seeks funding for FY 2014-15.

OEDIT Response: The tasks performed by the MBO include:

- Being a resource for partner organizations serving similar constituencies including the Minority Chambers of Commerce;
- Responding to inquiries for minority and women-owned businesses pertaining to starting and growing their business; and
- Connecting procurement community with MWBO's.

This year, the office is requesting to continue these activities and to expand them to serve the entire state, not just the metro area. In addition, MBO is requesting funds to improve technological capacity and information, integration into existing OEDIT strategies including Key Industries, International Trade, SBDC, PTAC etc.

22. Please describe how the requested funding for the Office compares to funding provided to all other programs administered by OEDIT.

OEDIT Response: MBO's budget request is 2.5% of the total OEDIT budget request.

23. How does the Office envision using the strategic plan to implement its statutory duties? How will the findings from the plan differ from the direction provided in statute?

OEDIT Response: The strategic plan will be in line with the directions provided in statute. However, the strategic plan will provide goals, milestones, and key performance metrics aligned with the Colorado Blueprint's overall goal of economic development and sustainability.

24. How does the proposed statewide analysis and survey of minority businesses compare to the disparity study that was proposed during the 2013 legislative session (H.B. 13-1285)?

OEDIT Response: A disparity study is designed to gather data on the procurement and contracts awarded by government agencies. The proposed statewide analysis and survey has nothing to do with state procurement or contracting. Rather, this is intended to gather baseline information on minority and women-owned businesses in Colorado including size, revenue and geographic location, as well as quantitative data including challenges, opportunities and strengths.

Procurement Technical Assistance Center

25. How many jobs has Raytheon brought to Colorado as a result of the work of PTAC?

OEDIT Response: As with most large primary employers (including prime government contractors), it is difficult to determine the direct jobs brought to Colorado by Raytheon due to PTAC services. The PTAC provides support to prime contractors such as Raytheon in many areas including, but not limited to, the following:

- Source of supply of capable/prepared small business Colorado-based subcontractors in all industries and in all small business preference categories – increases competition, supplier base - supports business development and proposal development;
- Source of support to meet proposal/awarded contract small business subcontracting plan goals;
- Proposal discriminator – responsible and responsive subcontractors, performance risk reduction;
- Support to existing subcontractors/vendors – PTAC counseling to understand/manage their subcontract;
- Industry specific outreach events – targeted to connect prime contractors with capable subcontractors; and
- PTAC large business partners – recognized by agencies in outreach events, training, and other efforts.

These services create a fertile business climate supporting Raytheon's presence in Colorado and also facilitate Colorado-based subprime contractors' ability to participate in all prime contractors, including Raytheon.

26. What does Colorado gain from assisting Raytheon get government contracts when its offices are located in Massachusetts?

OEDIT Response: Raytheon's headquarters are located in Massachusetts, Raytheon also has significant presence in both the metro Denver and Colorado Springs areas (16201 E. Centretch Pkwy, Aurora and 2242 Antelope Cir, Elizabeth).

Colorado has one of the largest federal government footprints, with many prime contractor offices located in Colorado. These federal agencies support the acquisition of numerous high dollar requirements in all industries, to include space, IT, aerospace and defense, energy, and other key government areas. Additionally, the federal government has increased its small business requirements while at the same time also has increased the level of support required to ensure capable and responsible small businesses are a part of their proposal. For example, the Federal Acquisition Regulation (FAR) Part 15 requires that all prime contractors compete/select the best value small businesses and ensure the price reasonableness of their subcontractors in total.

PTAC creates jobs in Colorado by supporting capable Colorado-based companies who have an understanding of how to respond to proposals from prime contractors such as Raytheon. Colorado-based subprime contractors are trained, educated and assisted with government contracting requirements and proposal compliance requirements. Further, the PTAC provides continual support post-award to enable the subcontractor to meet contract administrative requirements. This type of support increases the ability of Colorado-based subcontractors to compete for, win, perform, retain, and gain additional follow-on contracts.

27. What is the ratio of jobs created per dollar by PTAC compared to other OEDIT-supported programs?

OEDIT Response: The Department of Defense (DLA) standards include any contract awarded to a client that the PTAC has provided service to in the last 12 months in this calculation, even if the PTAC played a minimal role in the specific contract award. Using this measure, in Colorado over the last four years the PTAC has contacted companies that have averaged in total approximately \$1 billion in awards per year, thus creating or retaining approximately 20,000 jobs per year. Dividing the state's contribution of \$220,000 per year by the 20,000 jobs per year would equal a cost of \$11 a job per year. However, OEDIT believes the federal standards overstate the cost effectiveness of job creation.

Based on anecdotal client responses over the past four years, OEDIT estimates that 20% of the contract awards received by Colorado clients served by the PTAC are attributable to the specific services provided by the PTAC. And to be even more conservative, an estimate of annual jobs created or retained would be 5% of the DLA standards.

Multiplying the 20,000 jobs calculated using the DLA standards by 5%, would equate to 1,000 annual jobs created/retained from the services provided by the PTAC. Dividing the \$220,000 per year by 1000 jobs per year equals \$220 per job per year.

Other OEDIT comparisons* are stated below:

- Strategic Fund grant averages about \$2,400 per job
- Enterprise Zone program is approximately \$500 cost per job
- Job Growth Incentive Tax Credit is 50% of the employers share of FICA for 5 years or \$1,913 on a \$50,000 annual salary
- Colorado First and Existing Industries is approximately \$750 per job

**It's very difficult to do a comparison of programs due to the different terms and requirements and other factors. Any comparison should be viewed and used with caution.*

28. How is success measured for the State's investment in PTAC?

OEDIT Response: The Department of Defense (DLA) currently requires the PTAC to maintain and report on 17 metrics quarterly. The same measures are used by the state to determine objective results. A pilot program is currently in place by DLA to reduce the 17 key metrics to three. The current metrics required by DLA include the following elements and associated sub-elements:

- Client and counseling data elements
- Active client base
- Number of outreach events you sponsored
- Number of outreach events you supported, or participated in but did not sponsor
- Total attendees at outreach events
- Initial counseling sessions - The number of initial counseling sessions held with all categories of Small Businesses Concerns including Small Disadvantaged Businesses

(SDBs), Women-Owned Small Business Concerns (WOSBs), Historically Underutilized Business Zone (HUBZone), Small Business Concerns and Service-Disabled Veteran-Owned Small Business Concerns (SDVOSB)

- Follow-up counseling sessions
- Number of prime contract awards received by clients
- Dollar value of prime contract awards received by clients
- Number of subcontract awards received by clients

In addition to the federal metrics, the PTAC Task Force is proposing that the state program:

- obtain at least \$200,000 in gifts grants or donations each year to maximize the federal dollar for dollar match.
- provide technical assistance to at least 100 hundred business that are either new or active clients
- provides at least 1,500 hours of technical assistance counseling per year
- sponsor or participate in at least 65 community outreach events

Film Incentives

29. Has the Office analyzed return on investment data to determine if certain types of film production activities yield a larger benefit to the State?

OEDIT Response: Yes, the Office analyzes each project for which they ask the EDC for approval, and then analyze the final numbers submitted by the applicant.

30. Please describe how the boycott of Colorado by the Outdoor channel is impacting the state's economy.

OEDIT Response: Any negative impact of the Outdoor Channel's boycott of Colorado has not been felt by COFTM or the state's media production industry. Quite the opposite is true, in fact, as the Outdoor Channel plans to relocate their headquarters from California to Colorado in the near future.

Kroenke Sports & Entertainment purchased Outdoor Channel Holdings, Inc. in May 2013 and will move its headquarters to Denver. On December 16, 2013, the EDC approved \$938,577 in performance-based Job Growth Incentive Tax Credits over a 60 month period, contingent upon the creation of 74 net new full-time jobs at a minimum average annual wage rate of \$67,088 (110% of Douglas County average annual wage rate or 110% of the average annual wage of any county in Colorado the company locates in over five years).

After discussions with the Outdoor Channel, we have reason to believe that our television incentives are playing a positive role in Kroenke's decision to relocate, since the Outdoor Channel anticipates increased production, taking place in Colorado rather than elsewhere.

31. Does the Office target film production activities for providing incentives based on the potential level of spend in the state?

OEDIT Response: The Office heavily considers in-state spend for every production that applies for incentives. To qualify, an out-of-state production company must spend a minimum of \$1 million in Colorado.

Economic Gardening

32. Please describe the current status of the Office's implementation of this initiative.

OEDIT Response: There were 13 Small Business Development Center (SBDC) people trained, and a minimum of three more will be trained after the first of the year. The training curriculum that each individual went through varied from GIS, Market Research, Team Leader, and SEO Optimization, hitting all elements of a high level strategic program.

The office will be coordinating a marketing campaign on the program beginning in January, 2014. The office will begin accepting applications and choosing applicants in January, 2014. The selection process will take into account company growth potential including revenue, employees, sales, export potential, current company issues, and company goals/milestones.

The program (coined SBDC Advanced) will be broken out into three levels: Gold, Silver and Copper. Descriptions of the levels are as follows:

- The SBDC Advanced gold level is the choice for premier growth-oriented businesses. The full suite of high-end tools and sophisticated databases are utilized. The consulting team dedicates their time to the businesses unique needs. The research, deliverables, and outcomes are customized to the companies' priorities and strategic growth initiatives. The experienced consulting team assists businesses with everything from refining core strategies and business models to identifying and prioritizing sales leads and business opportunities.
- The Gold level is unique in both the amount of dedicated consulting time a company receives and the suite of customized tools made available to the business. The core consulting team in the gold level is comprised of researchers and consultants with deep experience working specifically with second stage companies – industry experts are brought in to accommodate various industries and business niches, when possible.
- The SBDC Advanced Silver and Copper level program provides businesses with the tools they need to grow in their respective markets and customize their strategic growth plans. The SBDC advanced silver level provides companies with market research, industry concentration and financial benchmark data. The SBDC Advanced Copper level provides companies with market research and financial benchmark data. The specialized consulting teams are unique to the businesses' regional SBDC office and vary with location and business industry. The focus is on strategic growth, refining business models, and identifying industry opportunities.

The application is currently up on the office's website: <http://www.coloradosbdc.org/consulting/economic-gardening>. The program currently has three applicants with no marketing to date and a plethora of community engagement and interest.

33. Has the Office entered into discussions with the Secretary of State's Office to coordinate the economic gardening initiative with his efforts to support small businesses? How do the goals of the two efforts compare?

OEDIT Response: The office's top priority was to establish a qualified and experienced team. Now that the office has a team in place to implement the program, we can begin to foster partnerships and collaboration efforts across community and state development programs. The goal of the Colorado SBDC Network and the Economic Gardening Program are to foster small business growth across the state. The Secretary of State can be a valuable partner in the implementation of these efforts.

4:15-5:00 OFFICE OF INFORMATION TECHNOLOGY

Colorado Benefits Management System

34. Are there any lessons learned via the CBMS modernization project that can be applied to other OIT supported, large-scale systems to ensure their success?

OIT Response: Yes, there are three key take aways that OIT learned from CBMS and other major IT projects, which include the following: 1) governance, 2) robust, yet flexible processes, and 3) change management. OIT learned quite a bit around the importance of governance and the importance of having both a business leader(s) and an IT leader to drive the decision making and direction of the project. In fact, the lessons from CBMS and other large projects, now has OIT establishing a standard "governance-in-a-box" type of model to carry forward for all large scale IT projects. On the technical side, we adjusted the way we develop new technologies that shifts us to a more agile model, which means that we moved from a model in which we build out the entire solution at once vs. a build-test rapid development model which takes into consideration user acceptance and feedback at each stage. Lastly, OIT also understands that change management is a critical and often overlooked component of any major project. Change management done well makes the difference between a good and great technology project and includes critical elements such as stakeholder outreach, communication and training.

35. Why was OIT unable to submit a November 1st decision item to fund new CBMS projects even though it indicates a budget request may be forthcoming in January in the most recent quarterly report?

OIT Response: While OIT is responsible for the decision item regarding CBMS, this is truly a team effort involving not only all three departments, OIT, CDHS, and HCPF, but also input

from the counties. There are constant and complex changes that the Federal government is making, almost on a daily basis regarding their funding of critical programs which CBMS is dependent on. The team, which consists of members across all departments and OSPB has spent many hours compiling and calculating the next 18 month plan for CBMS. We feel confident that the forthcoming plan, while certainly not covering every change/addition that is desired, meets federal and state requirements for CBMS to continue to be a leading technology solution determining eligibility for critical services for Colorado today and in the future.

36. Please describe OIT's work to prepare CBMS to interact with implementation of the Colorado Health Benefit Exchange. Please describe how CBMS has performed in meeting the needs of the Colorado Health Benefit Exchange.

OIT Response: We continue to work in partnership with the Colorado Health Benefit Exchange and ensure our mutual goal of covering more Coloradans with necessary services. Colorado is one of the few states in the nation who can proudly express the progress we have made in implementing a state-based exchange.

OIT and its partner agencies (HCPF and CDHS) worked very closely with Connect for Health on the Exchange. Highlights of the changes to CBMS for implementation of the Affordable Care Act included development of a co-branded Connect for Health and PEAK application which allows for a single, streamlined application process for Medicaid and Connect for Health, real-time eligibility determination, identity management system which helps ensure a person does not apply for benefits multiple times, and implementation of several new technologies that aided in the creation of interfaces required to operate the system.

Going forward, OIT understands the importance for Connect for Health and CBMS to continue to collaborate and work together in a unified front for the benefit of all Colorado. To that end, OIT established a new governance model between CBMS and Connect for Health to ensure that this happens.

37. Is it OIT's opinion that the line items for CBMS should be kept separate or rolled into other OIT line items?

OIT Response: OIT does not have a preference on this issue. As part of OIT's Long Bill Restructure request, OIT kept CBMS as a separate line item for general information and legislative tracking purposes only. OIT tracks multiple services with greater specificity than the Long Bill appropriation, CBMS is one such service. In the event that the General Assembly chooses to merge this item into a broader long bill line item, OIT would continue to track it and manage it accordingly so that reporting could be provided to the General Assembly upon request.

Statewide IT Base Budget

38. Which agencies have opted out of receiving certain services provided by OIT? Are the justifications for such opt-outs documented? Is the trend for agencies to opt out of OIT services or opt into OIT services? Do costs to OIT for service provision change based on the number of agencies that opt in or out of services? Are agencies able to achieve more efficiency in program delivery if they opt out of OIT services and instead perform the services internally?

a. Which agencies have opted out of receiving certain services provided by OIT?

OIT Response: There are no Executive Branch agencies, as a whole, who have “opted out” of using service from OIT. However, there are three areas/systems, based on previous agreements by department predecessors, who are not using OIT for ongoing support and maintenance. Those particular areas/systems are: Lottery (DOR) and MMIS (HCPF).

In addition, OIT has a Memorandum of Understanding with the Colorado Department of Education where they handle all IT related procurements, maintenance and ongoing support.

b. Are the justifications for such opt-outs documented?

OIT Response: In all of these three cases, they were based on legacy, “handshake” agreements between the Executive Directors of the departments.

c. Is the trend for agencies to opt out of OIT services or opt into OIT services?

OIT Response: The trend, from our perspective is that there is an increasing need and desire to engage OIT in IT related activities and decisions.

d. Do costs to OIT for service provision change based on the number of agencies that opt in or out of services?

OIT Response: It depends on several factors. OIT’s costs to provide services varies depending on the “service” being provided. For example, in a service with a high degree of “fixed” costs (such as Mainframe), agency demand for service does not change OIT’s costs, but in a service such as Long Distance, where the costs are highly “variable,” OIT’s expenditures increase or decrease in accordance with agency demand. If it is a shared service, the cost decreases the more users that consume that service (such as Grants Management System). However, not all services that we provide are “shared”, meaning some are very specific to a particular agency. OIT is striving toward more shared services where the model becomes “buy once and use many” vs. the past model where we would “buy many and use once” model. This model can apply to the vast majority of services that are provided by the state today.

e. Are agencies able to achieve more efficiency in program delivery if they opt out of OIT services and instead perform the services internal?

OIT Response: OIT, through its size and purview from consolidation, has vastly more purchasing power and technical skill sets than any individual Agency. Therefore, we believe that it would be very difficult for an Agency to achieve greater cost savings or technology expertise than is provided through OIT.

39. How has the overall amount of servers changed due to server consolidation since OIT resources were consolidated in the Office of the Governor?

OIT Response: OIT has made significant progress in this area. OIT decommissioned 435 servers, representing a reduction of more than 11% of the total servers statewide. Additionally, OIT has virtualized 214 servers into the enterprise compute environment known as the Colorado Cloud. Through our data center consolidation efforts, we have reduced the need for 5,121 sq. footage and approximately \$21,090 annual energy reduction. Across the IT industry, 80% server compression ratio due to migrating to newer technology is standard, as well as space and energy reduction.

40. Please discuss why work on the grants management system has not progressed, the barriers preventing the expansion of the system, and when the General Assembly can expect to have a grants management system for the Department of Public Health and Environment.

OIT Response: Previously, several divisions within CDPHE were involved in OIT's effort on the Colorado Grants Management System (COGMS). Other State agencies utilizing this service include the Department of Education and the Department of Public Safety in FY2013-14. For a variety of reasons, CDPHE decided to opt out of this system prior to the completion of functionality. At the time of the CDPHE decision, work was progressing in the Prevention Services Division on three major grant programs. With the CORE project (formerly COFRS) having both incoming and outgoing grant modules, and going live in 2014, CDPHE decided to opt for that solution rather than COGMS which will be transitioned to CORE over time.

41. Please discuss the overall size of the Department of Education's information technology program and systems in the context of statewide information technology systems. What percentage of the State's information technology does the Department represent? Why should the Department not be part of the consolidation, given the importance of the Department's information technology systems?

- a. Please discuss the overall size of the Department of Education's information technology program and systems in the context of statewide information technology systems.

OIT Response: As noted above, we have an existing MOU with the Colorado Department of Education that precludes OIT from having direct involvement in their IT procurement, operations and support of their IT systems and environment. Therefore, we are not in a position to answer this question regarding the size of their IT programs and/or systems. OIT does collaborate with CDE and provide technical consultation and advice to their enterprise

wide technology programs as requested. Again, this was a historical decision and agreement that was made by our predecessors.

b. What percentage of the State's information technology does the Department represent?

OIT Response: Identifying a single department's percentage of "the State's information technology" is a difficult concept. This could be measured in terms of assigned IT FTE, appropriated IT funds, annual IT expenditures, number of applications, number of visits to systems, the size of the data environment, or the number of servers utilized, to name a select few. From a server perspective, CDE would represent approximately 2.25% of OIT's managed server footprint, and approximately 3.75% of OIT's storage (disk) environment.

c. Why should the Department not be part of the consolidation, given the importance of the Department's information technology systems?

OIT Response: CDE is part of the IT consolidation efforts in the State of Colorado. This is evidenced by the fact that approximately \$470,000 of CDE's IT spending is for payments to OIT for COFRS Modernization, the Colorado State Network, and Purchase of Services from the Computer Center. These are centralized appropriations for services the Department receives from OIT, such as internet service, access to State systems such as COFRS and the Colorado Personnel Payroll System.

CDE is statutorily defined as a part of the executive branch. However the Department is governed by an elected 7-member board which has hiring authority for the Commissioner of Education. This is a notable way in which CDE is different from other state agencies.

Prior to consolidation, the department had developed a strong information management system for managing, maintaining, and securing student, school, and district records. In addition, the department was developing the nationally-recognized Colorado Growth Model which requires significant programming expertise unique to the department and the SchoolView web-based interface for providing public transparency of the data. The department also maintains sophisticated systems that streamline data reporting to the federal government, also gaining national attention. Finally, the department maintains unique security requirements related to the Family Educational Rights and Privacy Act (FERPA). The benefits/risks of consolidation were evaluated against the level of service, unique technical expertise, and high support demands of CDE and the citizens of Colorado. It was determined it was beneficial to consolidate OIT services but not IT staffs.

Governor's Office of Information Technology Structural Change Requests

42. Please discuss why OIT has a higher percentage of its overall staff earning incomes of \$100,000 or more than any other executive branch agency. In this response, please compare OIT management salaries versus OIT non-management salaries.

OIT Response: The market place for information technology workers today is fierce. We are not alone in this and unlike other areas of state government, we are required to compete against private sector companies for this talent. On average, an IT specialist earns approximately 100% higher wage than the standard U.S. worker. Public sector pays anywhere from 30-50% lower than the average U.S. wage, meaning we are at a severe disadvantage in attracting, hiring and retaining these specific workers. Additionally, the private sector has other compensation components which the State/OIT struggle to compete: stock (equity), bonus opportunity, long term and short term incentives, and company paid health benefits.

IT professionals, who have 3-5 years of experience or more, are in high demand and as such the unemployment rate in this field is relatively non-existent as compared to other occupational fields. That is, as published in a recent report by the U.S. Bureau of Labor Statistics, Beyond the Numbers: Careers in the growing field of information technology services, April 2013 (volume 2), between 2010 and 2020, the percent change in employment in computers systems design and related services employment design is expected to grow by 47%. In other words, this is a matter of economics: demand for IT employees will likely exceed supply causing companies to be in competition for these limited resources.

With respect to the second part of this question, using the same market data sources as previously mentioned, senior manager salaries are on average 26% less than what the market demonstrates and sometimes even as much as 40% less. This again doesn't include the other compensation (stock, bonuses, etc) that are available to IT professionals in the private sector. OIT management salaries, on average, are \$96,352 as compared with the private sector of \$109,478. OIT non-management total annual compensation opportunity is \$69,781 as compared to \$71,033. See Table 1 identified in question #10.

43. How do OIT salaries compare to private sector agencies with similar positions?

OIT Response: OIT continues to lag behind private sector salaries when it comes to professional level positions. On average OIT IT professionals are consistently behind the competitive talent market ranges, especially for high performing top talent. See Table 1 below.

	Average Annual Pay Rate	Average Market Pay Rate	% Diff of Market
ELT			
Non-Classified	\$125,501.84	\$173,272.27	-35%
Grand Total	\$125,501.84	\$173,272.27	-35%
Management w/o ELT			

Classified	\$91,697.06	\$96,949.57	-7%
Non-Classified	\$97,023.27	\$115,449.13	-22%
Grand Total	\$94,109.79	\$105,342.89	-13%
Management w/ ELT			
Classified	\$91,697.06	\$96,949.57	-7%
Non-Classified	\$101,157.26	\$122,677.02	-23%
Grand Total	\$96,352.08	\$109,477.72	-15%
ELT Direct Report (Mgrs)			
Classified	\$105,804.00	\$119,165.08	-14%
Non-Classified	\$111,111.11	\$123,894.57	-14%
Grand Total	\$110,116.03	\$ 123,007.79	-14%
All Developers (non mgrs)			
Classified	\$74,047.94	\$83,440.70	-16%
Non-Classified	\$73,929.13	\$84,802.58	-20%
Grand Total	\$74,024.18	\$83,713.07	-16%
All IT (non mgrs-pros, techs)			
Classified	\$69,314.18	\$70,572.45	-3%
Non-Classified	\$68,519.12	\$72,386.59	-7%
Grand Total	\$69,105.36	\$71,033.23	-4%

44. What is OIT's vacancy rate for personal services?

OIT Response: At OIT, for core IT vacancies, we simply cannot hire people fast enough. OIT struggles in attracting high performing top talent due to compensation challenge and the current employee skill sets often are in legacy or sunset technologies/systems.

OIT's vacancy rate is traditionally measured as an annualized metric; the metric below describes OIT's active vacancies throughout the fiscal year.

	IT	IT	Non IT	Non IT
	2012-2013	2013-2014 Projected	2012-2013	2013-2014 Projected
Vacancy Rate	10%	11%	10%	10%

45. Does OIT experience difficulties in retaining staff?

OIT Response: Yes. Information Technology is a unique skill and one that is very transferrable, therefore, it is not unusual or unexpected that the average tenure for an IT professional is less than 3-5 years. OIT's turnover rate is 14%, and continues to be challenged by our current skills sets not meeting the needs of our Agency customers. As the State sunsets legacy systems, OIT is challenged by the remaining resources skill sets and have begun to experience a significant delay in retirements. This creates challenges because we have resources without relevant technology skills.

46. The current OIT Long Bill line item structure provides the legislature with data for historical comparison purposes. How will the legislature retain this data if the line item structure is changed, as requested?

OIT Response: OIT's intention is to retain all levels of detail for billing support documentation. OIT must be able to record and accurately account for every dollar spent across all agencies, federally funded or otherwise. OIT is not asking for a minimization of accountability, records or transparency. OIT is asking for a way to have the appropriations structure match the daily operations of OIT. Presently, OIT tracks service budget and spending at a greater level of detail than in the appropriated line. Colorado's financial system (COFRS or CORE) provides historical tracking at the appropriation level and will ensure that comparison data remain available should it be requested.

47. If the request to consolidate agency common policy billing from five line items into one line item, how will agencies be able to reconcile federal moneys spent for discrete purposes?

OIT Response: The transition from five Common Policy lines to a single Common Policy line will have no impact on the reconciliation for federal moneys. As part of the budgeting process OIT provides Departments with documents detailing their estimated consumption and cost for each service utilized (OIT provides over 25 services). OIT then bills each Department 1/12th of the total appropriation each month of the fiscal year. The process is done again at the end of each fiscal year as part of the True-Up process to provide documentation for actual usage as compared to estimated. By reducing the number of monthly transfers from five to one the data maintained on each service is not impacted, only the administrative burden of processing multiple payments and managing to multiple IT appropriated lines.

OIT will continue to provide utilization data on every individual service to Departments so that Departments are able to track to their federal programs. OIT also requires this level of information because OIT is audited every year by the Division of Cost Allocation of the federal Department of Health and Human Services.

Governor’s Office of Information Technology New Funding Requests

48. What is the status of the outstanding audit recommendations on cyber security?

OIT Response: While OIT is very concerned about the current state of information security for the State of Colorado - we do feel that progress is being made. In particular, OIT has remediated 64% of the recommendations and are on track for being the first state in the nation to implement the SANS First 5 Controls, which are stated to address over 75-80% of all serious attacks.

The following is the current status of the unimplemented recommendations:

<u>Rec. No.</u>	<u>Recommendation Summary</u>	<u>OIT Reported Status</u>
<u>1a</u>	<i>Re-evaluate and improve the Agency Cyber Security Plan development, submission, and review process by (a) establishing additional guidelines and procedures for Plan completion.</i>	<i>This fall we revised the information security rules related to the development and submission of Agency Cyber Security Plans. To match OIT’s consolidation efforts, we will now have only one Enterprise Cyber Security Plan that is prepared by the Office of Information Security, under the State CISO’s direction. As such, the need for additional guidelines and procedures is not truly necessary and additional specification was added to the rules.</i>
<u>2b</u>	<i>Improve the State’s incident identification, reporting, analysis, and response processes and procedures by (b) providing training to employees, information security officers, and system administrators in incident awareness, identification, documentation, response, and reporting.</i>	<i>Annually, we provide basic security awareness training to all state employees. In addition, the Office of Information Security provides continuous, job specific security training to IT professionals based on their roles and responsibilities.</i>
<u>2d</u>	<i>Improve the State’s incident identification, reporting, analysis, and response processes and procedures by (d) ensuring that each public agency has detailed, written procedures for responding to security incidents and that</i>	<i>Similar to 1a, we have revised the State’s approach to responding to incidents to reflect the 2008 consolidation of IT. Now, all incidents are reported either directly to the Security Operations Center (SOC) or to one of the agency service desks and then to the SOC. The</i>

<u>Rec. No.</u>	<u>Recommendation Summary</u>	<u>OIT Reported Status</u>
	<i>agency-level procedures align with procedures in the State Incident Response Plan.</i>	<i>SOC manager is then responsible for responding to the incident according the State's Incident Response Plan.</i>
<u>6a</u>	<i>Ensure that all state systems, especially those exposed to the Internet use strong passwords and non-default usernames by (a) ensuring that the deficiencies identified in the confidential appendices provided under separate cover are addressed.</i>	<i>We have mitigated 155 of the 173 deficiencies, or approximately 90 percent, that were identified in the confidential appendices. Due to application compatibility issues, the remaining 18 cannot be remediated but we have put in compensating controls to protect these assets.</i>
<u>7d</u>	<i>Reduce the State's exposure to attacks against unnecessary and insecure ports, services, and utilities by (d) inventorying all systems and applications that require Internet access.</i>	<i>We have identified all systems needing Internet access and have begun tagging them in our McAfee security management platform. Until this Fiscal Year, we did not have the necessary tools to complete this task.</i>
<u>7e</u>	<i>Reduce the State's exposure to attacks against unnecessary and insecure ports, services, and utilities by (e) defining the appropriate access rules for each inventoried asset.</i>	<i>Until this fiscal year, this recommendation was too time and cost prohibitive to implement. Now, using the McAfee management server we run routine audits, vulnerability scans, and pull inventories of all applications on each computer and store them for review and analysis.</i>
<u>7f</u>	<i>Reduce the State's exposure to attacks against unnecessary and insecure ports, services, and utilities by (f) ensuring that all assets are protected by a monitored firewall.</i>	<i>All state assets are protected by at least one firewall. Most critical systems are protected by several firewalls using a layered defensive approach.</i>
<u>8a</u>	<i>Ensure that state web applications are appropriately secured by (a) ensuring that the deficiencies identified in the confidential appendices provided under separate cover are immediately addressed.</i>	<i>We have mitigated 155 of the 173 deficiencies, or approximately 90 percent, that were identified in the confidential appendices. Due to application compatibility issues, the remaining 18 cannot be remediated but we have put in compensating controls to protect these assets.</i>
<u>8f</u>	<i>Ensure that state web applications are appropriately secured by (f) protecting critical web applications with web application firewalls.</i>	<i>We are working to continually implement this recommendation as funding and resources allow. Prior to this fiscal year, the operating budget for security was \$6,000, which almost entirely went to supporting mandatory statutory requirements. This year we've deployed two web application firewalls and are continuing to</i>

<u>Rec. No.</u>	<u>Recommendation Summary</u>	<u>OIT Reported Status</u>
		<i>deploy them to new critical web applications that are coming online.</i>
<u>8g</u>	<i>Ensure that state web applications are appropriately secured by (g) ensuring IT staff are routinely reviewing and monitoring web application logs and reporting suspicious activity to appropriate staff.</i>	<i>Until this Fiscal Year, the Office of Information Security (OIS) lacked the financial and personnel resources to implement this recommendation. In September 2013, OIS purchased and deployed a Security Incident and Event Management System or SIEM. We are now in the process of setting up log collectors for each of the State's Critical and Essential Applications. We anticipate this to take approximately 12 months. Once completed, all logs will available to and monitored by our Security Operations Center.</i>
<u>9a</u>	<i>Improve the security of public agencies' internal networks by (a) ensuring that the deficiencies identified in the confidential appendices and provided under separate cover are addressed.</i>	<i>We have mitigated 155 of the 173 deficiencies, or approximately 90 percent, that were identified in the confidential appendices. Due to application compatibility issues, the remaining 18 cannot be remediated but we have put in compensating controls to protect these assets.</i>
<u>9b</u>	<i>Improve the security of public agencies' internal networks by (b) architecting internal networks so that they are "segmented" based upon access and security requirements.</i>	<i>At this time, this recommendation is too time and cost prohibitive to implement, especially compared to the risk reduction it achieves. We have focused on deploying additional layered defenses, such as both intrusion detection and prevention systems, data loss prevention, and tightening firewall rules and better control access through Active Directory.</i>

49. What resources are needed to finish all phases of the Secure Colorado program? Can this program be accelerated? If so, what resources would be required to implement all phases under a condensed time-line?

OIT Response: The next and last phase of Secure Colorado is focused on data level protections. This phase is focused on identifying and classifying sensitive data stored on state systems, deploying data level encryption, two-factor authentication, and data loss prevention technology - both at the PC and network levels.

Yes, Secure Colorado could be accelerated with the right resources. The present estimated additional need is approximately \$2,550,000 appropriated to the Information Technology Security program. This would allow OIT to finish Secure Colorado approximately 8 months ahead of schedule. This money would be used to procure the hardware, software, one-time

consulting services necessary to protect state data, and upgrades to the State's perimeter firewall.

50. Is physical accountability (e.g. where is a specific computer located and who has possession of the computer) part of the Secure Colorado project?

OIT Response: Yes. A fundamental component of information security is protecting who can have physical access to computers and information. For servers and network devices (e.g., switches, routers, firewalls), OIT ensures these computers are stored in controlled data centers and enforce access controls based on an employee's job duties. Laptops and other portable media provide challenges with knowing the exact physical location of these computers in real time. However, OIT has employed additional tools such as full disk encryption and McAfee to protect the data contained on these devices, regardless of their physical location.

51. How does OIT balance security needs versus accessibility in State buildings that are public intensive (e.g. the State Capitol)?

OIT Response: OIT understands the need for the public to have ready access to State Buildings and that some public places, like the State Capitol, need to be more accessible than others. Fortunately, with proper design and planning, public accessibility and security can be properly balanced. For example, the Capitol has a guest wireless network allowing for public Internet access but this network is kept separate from other networks transmitting sensitive state data that is restricted for use by state officials and employees. In addition, most sensitive computer equipment (e.g., servers and network devices) can be isolated to small utility closets that are secured but still allow for public access to most areas. We also train State users to secure their laptops/desktops by locking the computer or powering off the machine when they are not present in addition to deploying hard disk encryption. This allows citizens to access state offices and buildings yet still protect confidential data.

52. How much money can be reduced from agency operating expenses line items if the request to eliminate redundant applications is funded?

OIT Response:

Of the applications listed in the request for two categories (Grants and Licensing), OIT has determined that approximately \$258,000 could potentially be recovered from agency operating expenses after the core targets for the data and reporting are built, tested, verified, and validated. Each of the applications targeted contain duplicate information, are written in different software languages, and are in different versions of software that requires extensive coding and testing to ensure transferability. The potential fund amount is contingent upon the timing of the transfer of data to the updated mediums and the timing of software renewals. OIT must meet with each of the Departments before consolidation of the data can begin. In addition, the current applications must keep running the Department to continue to do business. OIT requests this amount not be reduced from Departments operating budget until confirmation is received from the Departments that the data is performing as expected in the

applications. OIT, OSPB, and the relevant Departments will work together on a future change request to identify potential reductions to operating funds.

During the first year or two of implementation, there will be little or no savings from the Departments. The applications have to be built in the enterprise environment and will need to be run in tandem until all testing, verification, and validation is complete. Funds could be reduced from the individual departments after the applications are in place in the enterprise environment. OIT recognizes there will not be a one for one reduction in funds, as many of the redundant applications do not presently have adequate maintenance and support agreements in place. Additionally, the maintenance agreements are co-termed at different times in the year. Maintenance and support must be paid up front and cannot be purchased for just a portion of the year. OIT will work closely with each Department to determine the amount paid for licensing, maintenance, and support and will request reductions during the next budget cycle as savings are recognized.

In addition to the direct results of reducing redundant applications, the IT Service Management Ecosystem will provide desperately needed integration and linkage between applications and their ongoing operating expenses. Even before the creation of OIT, there was limited visibility into software licensing compliance and overall expense tracking. In today's world where OIT is responsible yet the State agencies control and track all of the expenditures, it is difficult to "reach into" the State agency budgeting process.

53. What specific objectives is OIT seeking to achieve by eliminating redundant applications?

OIT Response: Enterprise solutions allow for the efficient management of information technology services across our state agency partners. They allow for standard platforms that are coordinated by service category and function and promote an environment of efficiency. Although, OIT has been consolidated, the office has not received funding for enterprise applications such as SQL, Oracle, Salesforce, or Perceptive. In order for OIT to become a true enterprise service provider, the enterprise environment must be built in order to best serve our customers.

Some specific objectives include:

Improved Allocation of Staffing: OIT has an objective of better aligning staff levels and requirements to a specific set of solutions. Rather than attempting to find staff to support a wide range of technology solutions, OIT is attempting to streamline the types of skills necessary to provide support across the entire enterprise.

Effective Training Methods: An objective of application rationalization focuses on the ability to standardize and simplify training for both internal staff and agency partners. Through implementation of platform solutions for the majority of applications, standardized training solutions will become viable and save time and effort related to application-specific training on the wide range of existing applications and functions. Any training specific to line of business applications unable to be integrated into consolidation efforts will be managed on an as-needed basis.

Efficient Licensing: The wide range of applications in existence today has led to licensing requirements varying significantly, even in the case of similar functionality and purpose. An objective of application rationalization will be to reduce the number of licenses necessary through consolidation of like application services.

Other Objectives include:

- Application Portfolio Management and Consolidation strategy implemented at the enterprise level.
- Build and maintain enterprise level applications and keep the applications up to date.
- Minimize future application purchases.
- Reduced training and support requirements.
- Reduced quantity of applications to maintain resulting in more focused resource allocation.
- Less complex information technology structures resulting from coordinated and consolidated planning efforts.
- Applications inventory maintained consistently over time using standard definitions and processes.
- OIT and State Agency Program Area goals are clearly tracked through easily recognized metrics and with quantifiable benefits of application rationalization and modernization.
- All OIT efforts are linked to capability enhancement and improvements that are enterprise-wide in scope and focus.
- Total application count will be reduced.
- Redundant applications will be reduced and/or eliminated
- Total business solutions (applications) added to the enterprise solution will be increased.
- OIT FTE availability for assignment to other priorities will be increased.
- Time to implement enhancements to State agency program use of systems will be reduced.

54. Please provide a status update on OIT's asset management initiative. Include information on how data collected will be used to forecast future infrastructure and personnel needs.

OIT Response: OIT's focus is on using what we have, own and control. Though the development of each agency level view of our assets OIT is developing the total cost of operation for the State's over 1000 applications. The development will define a lifecycle of the equipment supporting their environments. This is a joint engagement between OIT and the Agencies OIT supports. Greater fiscal ability for OIT to manage this effort would increase the effectiveness of OIT in this area.

The General Assembly provided funding for asset management in Fiscal Year 2014. This funding was used to procure licenses and support for an asset management system. Currently, network infrastructure components are being entered and validated in this system. We will then use this data for lifecycle analysis and maintenance coverage.

In addition, OIT is working with the CORE project to link the fixed assets identified in the financial system with our IT asset management system to ensure all IT assets are identified

and captured. Further, we are working to incorporate identification of IT assets via the procurement process in CORE so that OIT is aware of IT assets from the start of the procurement process.

55. How do the Governor's Office of Information Technology (OIT) and the Office of State Planning and Budgeting (OSPB) determine when an Information Technology (IT) request is going to be submitted through the operating versus the capital budget of an agency? In providing an answer to the above question, please discuss the process that the OIT/OSPB went through to determine that funding for the Digital Trunked Radio System maintenance and upgrade costs will be requested through the Capital Construction Budget (see SB 13-230, Governor's Office, "Digital Trunked Radio System, Lease Purchase Payment for Software Upgrade") and that a FY 2014-15 Department of Human Services (DHS) request R-16 for an upgrade to the DHS computer operating systems and licenses of Microsoft Office was submitted through the DHS operating budget.

OIT Response: OIT is collaborating with the Governor's Office of State Planning and Budgeting to develop a policy to formalize the criteria that will be used for these types of decisions on change requests because no single process presently exists. OIT is also anxiously awaiting the CDC cleanup bill that will revise capital statutes to clarify when certain project do and do not qualify as capital.

The "Digital Trunked Radio System, Lease Purchase Payment for Software Upgrades" (funded via SB13-290) was chosen as a capital request because of the size and scope of the project. That project was a full system upgrade for software needed to operate all of DTRS over multiple years. Therefore it qualified as capital under several criteria.

The upgrade of operating system licenses for the Department of Human Services was submitted as a Department request for several reasons. First, the existing contract with Microsoft was between DHS and Microsoft. OIT was not a signatory. Second, the request only targeted DHS and OIT was working on potential statewide solutions at the time OIT was consulted. Third, given the scope of the project as single Department and single year it was determined that capital was not the most appropriate mechanism.

OSPB Response: In determining the legislative process through which departments will submit Information Technology requests, OSPB relies primarily on the criteria established in its annual budget instructions. The instructions state that any IT project in excess of \$500,000 must be considered as a capital construction request. For IT-related requests in excess of \$500,000, however, OSPB has traditionally drawn a distinction between whole large systems (which have been submitted as capital requests) and quantities of individual components (which have been submitted through the operating budget).

In the FY 2014-15 budget submission, OSPB determined that the DHS request to upgrade desktop PC operating systems and office software aligned most closely with the operating budget. This request will allow the Department to replace large quantities of individually

inexpensive software components. Given that the request did not address a single, large system, OSPB did not consider it as a capital construction request.

Conversely, the request for a lease-purchase of Digital Trunked Radio software comprises an initiative to upgrade a single, central software system that allows radio connectivity to a large number of State agencies and other local public safety agencies. As such, it more closely aligns with the capital construction process.

Long-term Funding Solutions for Public Safety Communications

56. The Consolidated Communications System Authority has reported for two years that significant deficiencies exist in the infrastructure support the state's public safety communications network (DTRS). Why hasn't OIT submitted a comprehensive budget request to remedy these deficiencies? Why is waiting to make an emergency, last minute request the standard operating procedure?

OIT Response: *OIT supported the bill creating the CCSA because we recognized the need for a sustainable and manageable model for the DTRS system. OIT continues to work with the Governor's Office of State Planning and Budgeting on funding for DTRS.*

Why is waiting to make an emergency, last minute request the standard operating procedure?

OIT Response: OIT does not strive to have it be standard operating procedure to submit last minute emergency requests. OIT is continually improving its process for information collection and sharing both internally and with Departments. As a result of increased information collection OIT is slowly gaining better insight into the systems, deficiencies, and costs across the state. This creates the challenge of having to prioritize multiple competing needs. DTRS has not received substantial attention in budget requests because of competing needs. To date, DTRS has operated on a 'break-fix' platform without a business case. OIT appreciates the funding support from the Joint Budget Committee to implement the system upgrade last year. OIT is working with Motorola toward implementation of a Migration Assurance Program (MAP). The MAP plan creates a 10-year road map for system growth, maintenance, sustainment, end-of-life cycle planning, system hardware and software upgrades, replacements, and security. OIT's goal is to use the MAP to forecasts an annual cost to assist the State in identifying all costs associated with the operations of DTRS and aid in the prevention of emergency funding requests.

The recent Tower Replacement request was driven by a need to maintain DTRS operability with the region based on decisions that occurred outside of the timeline for Change Request development and submission.

The Consolidated Communication System Authority, under the direction of the Governor, provided findings to the JBC on October 7, 2013 with a presentation to the JBC on November 14, 2013. This report and related funding recommendations fell outside the customary State budgeting cycle. In the future, CCSA annual reports will be due on October 15, which will

perpetually be late in the budget cycle and leave almost no time to develop a November 1 request. OIT will work in conjunction with OSPB and the Department of Public Safety to find a way to address ongoing needs and recommendations within the budget cycle.

57. Has Governor Hickenlooper, or a member of his cabinet level administration, communicated with officials from Weld, Adams, and Douglas Counties regarding their participation in DTRS?

Response: The Executive Director of CDPS and the Secretary of OIT have had numerous discussions with representatives from Weld and Adams Counties concerning their departure from the DTRS. Those conversations occurred after the counties made their decisions to go with a new system and have centered primarily on the purchase of a "patch" to solve interoperability problems resulting from their departure.

58. Please discuss the interaction of DTRS users with members of FRCC. Is it feasible for DTRS users to lease portions of the network to improve interoperability?

Response: The Front Range Communications Consortium (FRCC) system and the statewide DTRS are two separate and distinct radio systems. Upon FRCC disconnection from the DTRS in early 2014, the systems will have limited interoperability. Once this disconnection is effective, FRCC first responders, and DTRS users traveling through the FRCC coverage area, will be required to physically change radio systems with the assistance of a radio dispatcher in order to communicate to one another. However, technology will be available in May 2014 that may improve interoperability capabilities between the FRCC and the DTRS. This technology does not come without a cost.

OIT requests support of funding approval for the New Raymer site in Weld County. This site will provide redundancy and overlap radio DTRS coverage in the FRCC's service area. Leasing from FRCC, based on the two distinctly different systems is not fiscally responsible. OIT will continue interaction and considerations for future fiscal opportunities.

An unknown is FRCC fee structure for access to their network resources. This cost model is not yet understood and additional funding may be required.

59. When Weld, Adams, and Douglas Counties leave DTRS, will this impair interoperability to a point whereby federal funding requirements will be violated?

OIT Response: Technically no, the ISSI implementation in May will provide limited interoperability. As DTRS will not be impaired significantly and-should not violate federal grant funding.

60. When Weld, Adams, and Douglas Counties leave DTRS, will this impair interoperability to a point where federal interoperability mandates will not be met?

OIT Response: Technically no, the ISSI implementation in May 2014 will provide limited interoperability. DTRS will not be impaired significantly. OIT will continuously evaluate and mitigate any short coming to the federal interoperability mandates.

61. Why has the Department of Public Safety been pressed into a leadership role for DTRS for State agencies when OIT has oversight of the State's component of DTRS?

OIT Response: As mentioned above regarding the question around what we have learned with CBMS, we understand and appreciate that it takes both a business lead and a technical lead to make these large, enterprise level technology projects to be successful. DTRS is no exception. We are pleased with the partnership that we have with CDPS and in particular, their commitment to hiring a State Wide Interoperability Coordinator (SWIC) who can advocate and articulate the business need for a seamless, interoperable communication network. OIT can then further represent the technical standards and solutions that are available to meet those needs. This describes the perfect partnership and what needs to exist going forward. CDPS and OIT are very clear about this partnership.

62. Is it OIT's opinion that the State's operations of DTRS should remain in OIT or be transferred to the Department of Public Safety?

OIT Response: As stated above, the business decisions and direction should be made by CDPS and we are very pleased with their leadership and direction in hiring a SWIC to help guide these decisions going forward. OIT should remain responsible for the technical decisions and direction ensuring interoperability across the state going forward.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. Provide a list of any legislation that the Department has: (a) not implemented or (b) partially implemented. Explain why the Department has not implement or has partially implemented the legislation on this list.

Response: The Governor's Office does not have prior legislation that has not been implemented.

2. Does Department have any outstanding high priority recommendations as identified in the "Annual Report of Audit Recommendations Not Fully Implemented" that was published by the State Auditor's Office on June 30, 2013? What is the department doing to resolve the outstanding high priority recommendations?

[http://www.leg.state.co.us/OSA/coauditor1.nsf/All/D36AE0269626A00B87257BF30051FF84/\\$FILE/1337S%20Annual%20Rec%20Database%20as%20of%2006302013.pdf](http://www.leg.state.co.us/OSA/coauditor1.nsf/All/D36AE0269626A00B87257BF30051FF84/$FILE/1337S%20Annual%20Rec%20Database%20as%20of%2006302013.pdf)

Response: OIT is the only office that has reported audit recommendations that have not been implemented.

OIT Response: Responses to question 48 detail the high priority recommendations from the 2010 Office of Cyber Security Performance Audit.

For the June 2010 SAP Information Technology Audit, recommendation 3B was the only high priority recommendation that remained open. The recommendation related to the fact that the disaster recovery plan did not include all components required by State Cyber Security Policies. This recommendation is partially implemented, a disaster recovery plan does exist, and the plan is currently being updated to include all required components - as defined by State Cyber Security Policies. The last remaining task is to test the plan to ensure the changes work in a simulated disaster. The plan will be tested by June 30, 2014.

3. Does the department pay annual licensing fees for its state professional employees? If so, what professional employees does the department have and from what funding source(s) does the department pay the licensing fees? If the department has professions that are required to pay licensing fees and the department does not pay the fees, are the individual professional employees responsible for paying the associated licensing fees?

Response: The Governor's Office does not have a policy in place to provide funding for annual licensing fees. However, the office does pay for licensing fees for the three office attorneys. This includes bar membership and attorney registration. The total cost per year is \$534 per staff member. The Governor's Office strives to provide similar reimbursements as private firms.

4. Does the department provide continuing education, or funds for continuing education, for professionals within the department? If so, which professions does the department provide continuing education for and how much does the department spend on that? If the department has professions that require continuing education and the department does not pay for continuing education, does the employee have to pay the associated costs?

Response: The Governor's Office does not have a policy in place to provide funding for continuing education. However, if a professional staff attends a conference that is paid for by the State, there are times that continuing education credits are included as part of the conference. The majority of the funding is from the General Fund.

5. During the hiring process, how often does the number one choice pick candidate turn down a job offer from the department because the starting salary that is offered is not high enough?

Response: The Governor's Office does not track this type of information. The majority of employees in the Governor's Office are at will and are exempt from the classified system.

6. What is the turnover rate for staff in the department?

Response: The Department of Personnel and Administration is providing a statewide response to this question.

Customer Service Best Practices:

This section is to give you a brief overview on best practices in dealing with constituents in any fashion. Every time we interact with an individual, answer the telephone, send an e-mail, write a letter, or attend a meeting, we are making an impression on our constituents.

In every interaction, constituents have a right to expect:

- Professionalism, courtesy, respect and honesty
- That we will listen to their concern; ask questions if necessary and provide them with our office's best information regarding a path to resolution.
- That we will make a considerable effort to provide information not only about state agencies, but other aspects of different levels of government as appropriate.

Telephone/Voicemail

- All calls will begin or be answered in a courteous manner
- A live person will return all phone calls within 24 hours during business hours.
- Staff will listen and attempt to understand request before transferring to appropriate state agency.
- When possible, not only transfer but provide callers with any relevant websites or public phone numbers. Feel free to Google!
- Outgoing voicemail messages will always be kept current and provide helpful additional avenues for resolution.
- Calls will be answered and returned in the order received.
- All incoming telephone calls from external sources will be answered with a consistent greeting such as "Good morning, Citizens' Advocate Office, how may I help you?" or "Governor Hickenlooper's Office, how may I help you?"
- When leaving a message we will always leave a call back number.
- We will devote sufficient time to each call without impeding our ability to help other constituents.

Written Correspondence

- Written correspondence formatted to office standards
- Information regarding their inquiries is complete, accurate and precise.
- A timely response to their request is sent within 14 business days.
- E-mails sent to a large group of people will be blind carbon copied to citizens.

In Person

- When a citizen enters our office for assistance, we will first ask them to write down their concern so we may be better prepared to help them.
- We will take the time to sit and listen to their concerns right immediately after they fill our constituent concern form.
- We will provide the best navigation to resolution and provide them with a guide with a listing of all advocates and resources available to them.

EXHIBIT A

Company X								
ANNUAL EMPLOYMENT REPORT								
CREDIT YEAR 2012								
(Report Date 02/27/2012)								
	Name	Annual Salary	Hire Date	Term Date	Position	Resident	FICA	Notes
3	Employee XXX		9/17/2007		CEO	CO		Baseline Job
19	Employee XXX		9/21/2009	9/2/2012	Sales Support	CO		Not net job - terminated prior to 12/31/12
31	Employee XXX	\$ 105,000	10/19/2009		Project Manager	CO		FICA Exempt
43	Employee XXX	\$ 107,943	11/1/2010		Manager, Field Operations Support	CO	\$ 9,201.63	
49	Employee XXX	\$ 55,750	10/5/2009		Technical Support	CO	\$ 1,076.33	
55	Employee XXX	\$ 89,792	10/23/2009		Sales Manager	CO	\$ 7,812.92	Part of Baseline
61	Employee XXX	\$ 62,609	9/13/2009		IT Manager	CO	\$ 5,058.24	
69	Employee XXX	\$ 101,977	10/19/2009		HR, Health & Safety Mngr	CO	\$ 8,128.41	
71	Employee XXX	\$ 73,050	10/26/2009		Senior Accountant	CO	\$ 5,685.56	
78	Employee XXX	\$ 113,466	11/2/2009		Head of Technical Support	CO		FICA Exempt
81	Employee XXX	\$ 52,606	12/3/2009		Office Manager	CO	\$ 4,029.23	
85	Employee XXX		3/15/2010	5/25/2012	VP of Sales	CO		Not net job - terminated prior to 12/31/12
89	Employee XXX	\$ 71,512	5/4/2010		Service Accountant	CO	\$ 5,467.78	
91	Employee XXX	\$ 190,000	7/1/2010		VP of Service	CO	\$ 10,218.88	
93	Employee XXX	\$ 129,000	9/1/2010		Director of Technical Support and Quality Assurance	CO		FICA Exempt
94	Employee XXX	\$ 60,000	9/8/2010		Customer Service Specialist	CO	\$ 5,190.23	
98	Employee XXX	\$ 80,000	11/29/2010		Structural Engineer	CO		FICA Exempt
102	Employee XXX	\$ 49,920	1/10/2011		Service Analyst	CO	\$ 4,385.52	
103	Employee XXX	\$ 80,000	1/17/2011		Electrical and Communications Engineer	CO	\$ 5,480.35	
104	Employee XXX	\$ 110,000	2/22/2011		Controller	CO	\$ 8,320.75	Part of Baseline
106	Employee XXX	\$ 125,000	3/30/2011		Vice President of Sales	CO	\$ 9,016.41	
107	Employee XXX	\$ 100,000	4/11/2011		Project Manager	CO	\$ 8,301.37	
109	Employee XXX	\$ 130,000	5/2/2011		Global Commodity Leader - Towers	CO	\$ 8,753.49	
119	Employee XXX	\$ 39,520	7/25/2011		Project Support Specialist	CO	\$ 3,535.13	
122	Employee XXX	\$ 68,000	9/12/2011		Project Accountant	CO	\$ 5,556.05	
129	Employee XXX	\$ 52,000	12/5/2011		Site Assessment Engineer	CO	\$ 3,975.45	
56	Employee XXX	\$ 66,000	8/17/2009		Junior Project Manager	CO	\$ 3,524.77	
126	Employee XXX		11/28/2011		Technical Support Intern	CO		Not net job - not FTE
135	Employee XXX	\$ 60,000	1/23/2012		Commercial Sales Support	CO	\$ 3,927.98	
137	Employee XXX	\$ 70,000	2/28/2012		Project Accountant	CO	\$ 4,421.30	
138	Employee XXX		2/28/2012	2/1/2013	Project Accountant	CO		Not net job - retention period not satisfied
139	Employee XXX	\$ 80,000	3/1/2012		Non-Conformity Expert	CO	\$ 4,613.99	
142	Employee XXX		3/12/2012	10/26/2012	Site Manager	CO		Not net job - terminated prior to 12/31/12
152	Employee XXX	\$ 61,000	5/9/2012		Mechanical Engineer	CO	\$ 2,925.54	
159	Employee XXX		6/18/2012	11/20/2012	Purchasing and Sourcing - Blades	CO		Not net job - terminated prior to 12/31/12
166	Employee XXX		8/20/2012	11/20/2012	Purchasing and Sourcing - Blades	CO		Not net job - terminated prior to 12/31/12
169	Employee XXX	\$ 75,000	9/10/2012		Turbine Engineer	CO	\$ 1,655.04	
174	Employee XXX	\$ 39,520	10/1/2012		Service Assistant	CO	\$ 845.21	
177	Employee XXX	\$ 34,320	10/1/2012		Office Services Coordinator	CO	\$ 560.12	

Average Annual Wage for Net Jobs \$ 81,709

FICA Imposed on Taxpayer Net Job Growth \$ 141,667.68
 Minus Baseline \$ (16,133.67)
 FICA Paid Net New \$ 125,534.01

Count 39
 Terminated (6)
 Not FTE (1)
 FTE's as of 12/31/12 32
 Baseline (3)
 Net FTE's 12/31/13 29

50% \$ 62,767.01

Credit Calculation

Total Salary \$ 2,532,985.00
 Minus Baseline \$ (199,792)
 Total Salary Net new FTE's \$ 2,333,193.00
 Avg. Annual Wage for Net Jobs \$ 80,454.93

Period	Count	FICA Paid
2012	29	\$ 125,534.01

50% Credit	Annual. Sal.	Avg. Salary
\$ 62,767.01	\$ 2,333,193.00	\$ 80,454.93

BASELINE REPORT - Company X
As of 09/10/2009

Employee Last Name	Employee First Name	Position	Location	Date Of Hire	FICA
Employee XXX	Employee XXX	CEO	Denver, CO	9/17/2007	\$6,621.59
Employee XXX	Employee XXX	Sales Manager	Denver, CO	8/15/2009	\$6,621.60
Employee XXX	Employee XXX	Controller	Denver, CO	8/24/2009	\$2,320.49
FTEs as of Baseline Date (09/10/2009)		3			

**OFFICE OF THE GOVERNOR
FY 2013-14 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Thursday, January 3, 2013
3:00 pm – 5:00 pm**

3:00-3:15 INTRODUCTIONS AND OPENING COMMENTS

3:15-3:20 QUESTIONS COMMON TO ALL DEPARTMENTS

1. The JBC occasionally hears complaints that base personal services reductions to capture vacancy savings result in more vacancy savings as managers reduce staff to absorb the reduction and then still experience turnover. Some departments refer to this as the "death spiral." Has your department experienced this problem? How does your department attempt to minimize and avoid the "death spiral?"

3:20-4:10 OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE

Leased Space

2. Requesting funds in a public forum for an anticipated increase in leased space costs provides the building owner with an advantage during negotiations. Please describe the strategies you plan to employ for balancing the need for a public hearing to request funds with the demands of private negotiations concerning the price per square foot for leased space.

Bioscience Discovery Evaluation Grant Program

3. Please provide an analysis of the bioscience industry that shows how State moneys invested in the industry have been leveraged to support economic development, including job growth.
4. Does the bioscience industry in Colorado have the capacity to expand if the Bioscience Discovery Evaluation Grant Program receives additional State funding in FY 2013-14?

Clean Technology Discovery Evaluation Grant Program

5. Please provide an analysis of the clean technology industry that shows how State moneys invested in the industry can be leveraged to support economic development, including job growth.
6. Please describe how the Clean Technology Discovery Evaluation Grant Program will be implemented. Include a list of potential research institutions and types of companies that would benefit from the Program.

Economic Development Commission New Jobs Incentives

7. Please provide a complete list of companies that have received new jobs incentives funding in FY 2011-12 and FY 2012-13 (to date). Include the name of the company, incentive provided, number of jobs created, and average annual wage of the jobs.
8. Does the Economic Development Commission have any requirements in the new jobs incentives program to incent companies to hire graduates from Colorado-based institutes of higher education?
9. Does the Economic Development Commission have any requirements in the new jobs incentives program to incent companies to hire Colorado residents?

Film Incentives

10. The film incentives program received an appropriation of \$3.0 million for FY 2012-13. Has the Colorado Office of Film, Television, and Media invested any of these funds in the loan guarantee program?
11. Is it envisioned that the Colorado Office of Film, Television, and Media's loan guarantee program will eventually generate revenue for the Office to invest in film incentives?

Colorado Tourism Office

12. What level of State funding was invested in efforts to attract direct flights to Denver International Airport from Japan and Mexico?
13. How does the Colorado Tourism Office track the number of international residents traveling to Colorado as a result of direct flights?
14. Do data indicate that direct flights to international destinations are bringing as many international travelers to Colorado as those international destinations are receiving from Colorado?

4:10-5:00 GOVERNOR'S OFFICE OF INFORMATION TECHNOLOGY

Colorado Benefits Management System (CBMS)

15. As required by statute, the Governor's Office of Information Technology must provide the Committee with a quarterly report on the status of the Colorado Benefits Management System (CBMS) modernization project. The November 30, 2012 quarterly report indicates that six projects are currently flagged as "yellow," including one project that is over budget. Please briefly describe the status of each of the six "yellow" projects.

16. Please describe the CBMS modernization projects that are coming in ahead of schedule and under cost.

Google Apps for Government

17. Please describe the Office of Information Technology's implementation of Google Apps for Government (with an emphasis on email). Include challenges, user satisfaction, and anticipated cost savings.

Digital Trunked Radio System

18. Please provide an update on the Consolidated Communications System Authority. Include the membership roster and meetings conducted and scheduled for the future.
19. The Governor's FY 2013-14 budget request did not address the software, microwave infrastructure, and tower infrastructure needs cited in CDX Wireless, Inc.'s report to the Consolidated Communications System Authority. Please identify the Office of Information Technology's plan for addressing these system needs.
20. Does the Consolidated Communications System Authority have an opinion on the software, microwave infrastructure, and tower infrastructure needs of the system?
21. Is there a plan to eventually migrate the Digital Trunked Radio System from microwave technology to fiber optic lines or some other technology? If so, please identify the technologies discussed and the implementation timeframe.
22. Does the Digital Trunked Radio System currently leverage the Colorado Department of Transportation's fiber optic lines?

Medicaid Management Information System Reprocurement

23. Please describe the roles and responsibilities of the Department of Health Care Policy and Financing and the Governor's Office of Information Technology in the reprocurement of MMIS and the overall management of MMIS during the implementation and operational phases.
24. Do federal regulations and/or rules exist that would preclude the Governor's Office of Information Technology from participating in the reprocurement of MMIS and the overall management of MMIS during the implementation and operational phases? If so, please discuss the exact federal rules and regulations that govern the participation of agencies outside of the Department of Health Care Policy and Financing in MMIS implementation and operation.
25. Please explain the certification process. Is the current MMIS vendor certified? If so, what advantages does this bring to the process? If not, how does this detract from the process?

26. The State Controller reviews high risk contracts. Is the State Controller planning to review the MMIS contracts associated with the reprocurement?
27. Senate Bill 12-096 (Lambert/Levy) dictates that the Governor's Office of Information Technology has authority to review existing information technology contracts and negotiate contract amendments through June 30, 2014. Additionally, amendments to existing contracts are exempted from the requirements of the procurement code during that time period. Is the MMIS reprocurement eligible for review under this statutory authority?
28. The State Auditor's Office has several outstanding recommendations related to MMIS deficiencies. Will the MMIS reprocurement address the deficiencies?

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. The Joint Budget Committee has recently reviewed the State Auditor's Office *Annual Report of Audit Recommendations Not Fully Implemented* (October 2012). If this report identifies any recommendations for the Department that have not yet been fully implemented and that fall within the following categories, please provide an update on the implementation status and the reason for any delay.
 - a. Financial audit recommendations classified as material weaknesses or significant deficiencies;
 - b. Financial, information technology, and performance audit recommendations that have been outstanding for three or more years.

**OFFICE OF THE GOVERNOR
FY 2013-14 JOINT BUDGET COMMITTEE HEARING AGENDA**

**Thursday, January 3, 2013
3:00 pm – 5:00 pm**

3:00-3:15 INTRODUCTIONS AND OPENING COMMENTS

3:15-3:20 QUESTIONS COMMON TO ALL DEPARTMENTS

1. The JBC occasionally hears complaints that base personal services reductions to capture vacancy savings result in more vacancy savings as managers reduce staff to absorb the reduction and then still experience turnover. Some departments refer to this as the "death spiral." Has your department experienced this problem? How does your department attempt to minimize and avoid the "death spiral?"

Response: The Governor's Office has not experienced the "death spiral" problem. We have not experienced more vacancies as a result of personal services reductions that have been applied to personal services appropriations.

3:20-4:10 OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE

Leased Space

2. Requesting funds in a public forum for an anticipated increase in leased space costs provides the building owner with an advantage during negotiations. Please describe the strategies you plan to employ for balancing the need for a public hearing to request funds with the demands of private negotiations concerning the price per square foot for leased space.

OEDIT Response: We agree that this is a potential problem. As a result, we moved quickly through lease negotiations so we could be in a position to finalize an amendment prior to public hearings. Our November 1 budget request represented initial figures from our landlord. However, we were successful in negotiating a better rate and thus our budget request for FY 2013-14 will be reduced. We will work with your staff to ensure that the correct amount is reflected during figure setting.

Bioscience Discovery Evaluation Grant Program

3. Please provide an analysis of the bioscience industry that shows how State moneys invested in the industry have been leveraged to support economic development, including job growth.

OEDIT Response: A total of \$24 million and 203 grants have been awarded under the program at the end of FY 2011-12. Program successes include the creation of 37 new Colorado companies and the direct creation of 309 jobs. In addition, leveraging matching

funds for technology advancement has created an additional \$95 million in capital investments.

4. Does the bioscience industry in Colorado have the capacity to expand if the Bioscience Discovery Evaluation Grant Program receives additional State funding in FY 2013-14?

OEDIT Response: Yes, based on current demand, the bioscience community does have capacity to expand by using the additional S.B. 11-047 funding.

Clean Technology Discovery Evaluation Grant Program

5. Please provide an analysis of the clean technology industry that shows how State moneys invested in the industry can be leveraged to support economic development, including job growth.

OEDIT Response: The program was approved in FY 2008-09, but has not been funded. It is our position that the legislation was passed based on industry need, and the industry is still one with significant growth potential that draws on the expertise and innovation coming out of Colorado research institutions.

According to the Metro Denver EDC's 2012 *Resource Rich Colorado Report* the cleantech sector's five-year job growth rate in Colorado (2007-2012) was 40.3 percent, compared 13.8 percent nationwide. Additionally, the cleantech sector directly employed 21,950 people at 1,940 firms across the state in 2012.

Much of the growth noted above comes from cleantech companies attracted to Colorado because of strengths within the state's research institutions. However, little of the noted job growth is based on commercialization of Colorado-based university intellectual property, which minimizes the returns available to the state. And, without these proof of concept, seed and infrastructure grants, Colorado is set up to lose valuable human capital when graduate students interested in starting companies based on their research are offered financial support from other states like California and Massachusetts.

Colorado's research institutions already have existing although minimally funded tech transfer offices. Colorado's taxpayers are currently partially funding cleantech R & D but almost no funding goes into commercializing this into private sector companies. Therefore Colorado loses out on new potential start-up companies every year. For every dollar invested in R & D, less than half a cent goes towards commercialization. It is our strong belief that a fully funded Cleantech Grant Program will help leverage the existing tech transfer programs to continue to build upon the success in the cleantech sector by creating more companies and creating more innovative high paying jobs.

Several recent in-depth studies have shown a lack of private/public funding (seed, angel, venture) for new technologies being developed in Colorado's research institutions including the 2011 *Colorado Blueprint Report* and the 2010 *Colorado Cleantech Action Plan*.

The Colorado Energy Research Collaboratory (formerly the Colorado Renewable Energy Collaboratory) has a phenomenal track record of leveraging public sector funds with private sector investment. In 2006, the Collaboratory received \$6 million in funding (\$2 million/yr for three years) and has leveraged this into \$37.7 million in further private sector research funding.

6. Please describe how the Clean Technology Discovery Evaluation Grant Program will be implemented. Include a list of potential research institutions and types of companies that would benefit from the Program.

OEDIT Response: The Clean Technology Discovery Evaluation Grant Program statutes read much like the Bioscience program, so it is anticipated that the program would run similarly. Section 24-48.5-111, C.R.S. dictates the grant program would be managed through OEDIT and provides at least 25% to university tech transfer offices, 25% to early stage companies with the remaining amounts to build and maintain infrastructure that supports cleantech commercialization.

Potential, eligible research institutions are University of Colorado (CU), Colorado State University (CSU), Colorado School of Mines (Mines) and University of Denver (DU). The Colorado Energy Research Collaboratory would be a potential infrastructure grantee and already has existing sector specific centers housed in research institutions and a strong record of leveraging public investment with private sector opportunities. Existing companies that would fit program definitions include Ion Engineering (CU), OPX Biotechnologies (CU), Sundrop Fuels (CU), EcoVapor (Mines), a methane control company, Prieto Battery (CSU), an energy storage company, and Solix Biofuels (CSU).

Economic Development Commission New Jobs Incentives

7. Please provide a complete list of companies that have received new jobs incentives funding in FY 2011-12 and FY 2012-13 (to date). Include the name of the company, incentive provided, number of jobs created, and average annual wage of the jobs.

OEDIT Response:

Job Growth Tax Incentive Credit Program

For the Job Growth Incentive Tax Incentive program, in FY 2011-12 and FY 2012-13, potential tax credits of \$50,122,747 were conditionally approved by the Economic Development Commission. This amount is based on 5,302 projected jobs created for an average annual salary of \$76,713. Final approval is based on a completed contract and tax credits are not granted until jobs are created and maintained for one year. Please see table below for specific companies receiving the conditional approval.

Job Growth Tax Incentive Credit Projects

Name	Maximum Conditional Tax Credit Amount	Projected Jobs Created	Projected Annual Average Wage
Community Power Corp	\$ 432,328	45	\$ 68,687
Surrey Satellite	\$ 686,268	70	\$ 110,737
Finish Line USA Inc.	\$ 875,031	98	\$ 74,899
Project Knowledge	\$ 5,670,731	406	\$ 104,903
Project FS	\$ 5,385,600	550	\$ 66,847
Data Logic	\$ 4,095,798	322	\$ 126,212
Charles Schwab - Douglas CO	\$ 3,730,602	480	\$ 68,756
Woodward	\$ 7,262,943	971	\$ 76,824
Raymond James	\$ 296,268	24	\$ 57,876
Digital Risk	\$ 1,007,524	100	\$ 65,030
IHS	\$ 1,625,625	185	\$ 85,000
Blockbuster	\$ 2,452,461	150	\$ 93,257
Advanced Circuits Inc.	\$ 521,688	90	\$ 47,272
Comcast Corporation	\$ 466,371	28	\$ 91,679
Cummins Rocky Mountain	\$ 853,935	73	\$ 67,206
PTI USA Manufacturing	\$ 2,205,847	249	\$ 46,321
Arrow Electronics	\$ 11,417,912	1,250	\$ 79,602
Bal Seal	\$ 1,135,815	211	\$ 49,725
Total	\$ 50,122,747	5,302	\$ 76,713

Strategic Fund Program

The Economic Development Council has conditionally approved \$6,869,475 in cash incentives from The Strategic Fund in FY 2011-12 and FY 2012-13. This amount is based on creating 2,841 jobs at an aggregate average salary of \$67,949. Final approval is granted based on a completed application and executed contract. Cash distributions are not made until jobs are created and maintained for at least one year. Please see table below for specific companies.

Strategic Fund Projects

Name	Maximum Conditional Amount	Project Jobs Created	Projected Annual Average Wage
On Deck Capital	\$ 500,000	200	\$ 63,228
Project Heat	\$ 2,019,500	577	\$ 89,931
Niagara Bottling	\$ 38,000	38	\$ 44,559

Name	Maximum Conditional Amount	Project Jobs Created	Projected Annual Average Wage
WH Pacific	\$ 280,000	56	\$ 99,500
Win Wholesale	\$ 55,000	52	\$ 46,447
Hitachi	\$ 640,000	300	\$ 70,000
Avago	\$ 230,000	92	\$ 49,783
DaVita	\$ 119,209	58	\$ 58,257
Cooper Controls (Lighting)	\$ 321,000	321	\$ 41,272
Entegris, Inc.	\$ 109,266	63	\$ 36,098
The Coleman Company	\$ 370,000	74	\$ 118,000
JBS	\$ 1,000,000	200	\$ 70,682
Siemens	\$ 250,000	60	\$ 98,533
Sisters of Charity	\$ 937,500	750	\$ 65,000
Total	\$ 6,869,475	2,841	\$ 67,949

8. Does the Economic Development Commission have any requirements in the new jobs incentives program to incent companies to hire graduates from Colorado-based institutes of higher education?

OEDIT Response: Colorado attracts a highly educated, professional global workforce which is a competitive advantage in attracting companies to our state. OEDIT works with Colorado-based institutions of higher education to ensure their students are trained to meet the needs of existing Colorado industries and that such students have access to jobs from Colorado-based companies.

9. Does the Economic Development Commission have any requirements in the new jobs incentives program to incent companies to hire Colorado residents?

OEDIT Response: There are no requirements in the new job incentive programs to hire Colorado residents; however, companies that locate or expand in Colorado do create job opportunities for Colorado residents.

Film Incentives

10. The film incentives program received an appropriation of \$3.0 million for FY 2012-13. Has the Colorado Office of Film, Television, and Media invested any of these funds in the loan guarantee program?

OEDIT Response: The program began July 1, 2012 and to date, no loan guarantees have been granted. However, there are several companies we are currently working with who have

expressed interest in the loan guarantee program. In addition to the loan guarantee, the Office of Film, Television, and Media (OFTM) offers a 20% rebate on authorized Colorado expenditures. To make Colorado competitive with other states, we are currently offering between 5 and 10% loan guarantees in addition to the 20% rebate. For example, New Mexico and Utah are offering a 25% rebate and Georgia is offering a 30% rebate.

11. Is it envisioned that the Colorado Office of Film, Television, and Media's loan guarantee program will eventually generate revenue for the Office to invest in film incentives?

OEDIT Response: Yes, through fees collected, revenue will be generated.

Colorado Tourism Office

12. What level of State funding was invested in efforts to attract direct flights to Denver International Airport from Japan and Mexico?

OEDIT Response: No money was provided to either Volaris or United for their recent direct flights. We offered All Nippon Air (ANA) \$100,000 over two years to help them cover early marketing costs of their proposed flight, but at this time, given United's new flight, ANA is unlikely to bring a direct flight from Tokyo into Denver International Airport (DIA).

United announced their flight without securing a commitment from OEDIT to assist in their marketing efforts, however, we are likely going to participate on some basis to help ensure that the flight is successful.

Using the ANA example, a community incentive package for nonstop service to a new market could reach \$2.65 million; where DIA pledged \$1.5 million cash, Metro Denver Economic Development Corporation pledged \$200,000 cash, and State of Colorado pledged \$350,000 (\$250,000 from the Economic Development Commission and \$100,000 from Colorado Tourism Office). Non-cash pledges totaled \$600K in the form of landing fee waivers (\$500,000) and cooperative marketing dollars from Visit Denver (\$100,000).

13. How does the Colorado Tourism Office track the number of international residents traveling to Colorado as a result of direct flights?

OEDIT Response: We work with the airlines to determine actual passenger numbers. Icelandair is well above their original projections and have added two additional flights from four flights per week to six. Since Volaris and United are new no information is yet available on their passenger loads.

14. Do data indicate that direct flights to international destinations are bringing as many international travelers to Colorado as those international destinations are receiving from Colorado?

OEDIT Response: Icelandair has indicated that they are experiencing far more traffic from their European destinations into Colorado than traffic going from Colorado to Europe. We anticipate that Volaris and United will be the same, no data is yet available.

4:10-5:00 GOVERNOR’S OFFICE OF INFORMATION TECHNOLOGY

Colorado Benefits Management System (CBMS)

15. As required by statute, the Governor's Office of Information Technology must provide the Committee with a quarterly report on the status of the Colorado Benefits Management System (CBMS) modernization project. The November 30, 2012 quarterly report indicates that six projects are currently flagged as "yellow," including one project that is over budget. Please briefly describe the status of each of the six "yellow" projects.

OIT Response:

Project	Status
Project 1538 - CBMS CDHS TOP Interface Modifications, Priority 66	Overall status was reported as green, but the scope was reported as yellow. A Change Request (CHG00194) was created to address the increase. The project and its change request were all moved into production successfully on December 16. The current status of this project is blue (complete).
Project 2548 - CBMS 6 Month Period of Eligibility POE, Priority 61	Overall status was reported as green, but the scope was reported as yellow due to a budget overrun. The additional cost has been addressed using Colorado Department of Human Services and OIT Pool Hours under priorities 25 and 27. This project is on track and scheduled to be delivered to production in June 2013.
Project 2682 - CBMS Prevent Old Dates and Information from Being Added to Current Notices, Priority 58	Overall status was reported as yellow due to continued post implementation corrections. This project was implemented as part of the 8/26/2012 release. The deployment did not meet all of our customer’s needs, and post production analysis is currently taking place. The vendor is researching solutions and working with the customer to identify post production fixes.
Project 3209 - CBMS Corrections Required for Denial/Approval Combination Notices, Priority 57	Overall status was reported as yellow due to continued post implementation corrections. This project was implemented as part of the 8/26/2012 release. The deployment did not meet all of our customer’s needs, and post production analysis is currently taking place. The vendor is researching solutions and working with the customer to identify post production fixes.

Project	Status
Project 3245 - CBMS New Rules Engine (HCPF) MAGI, Priority 21	Overall status was reported as yellow because of issues related to schedule and scope. We have had delays with developing requirements, which has impacted the schedule. Work continues in this area. In terms of scope, we continue to work to identify active projects that will be absorbed into the rules rewrite and establish associated limits to the scope changes associated with the rewrite. The vendor has proposed a revised version of the CBMS Work Plan, which has been accepted by the CBMS customer base.
Project 4040 - CBMS Supplemental County Testers (Denver), Priority 23	Overall status was reported as yellow, and the schedule was reported as red due to delays in contract negotiation between the State and Denver. The original plan was to have testers on board by early September; however, staff members targeted to participate in this project have been assigned to other duties and are no longer available to the State. We continue to work through this issue.

16. Please describe the CBMS modernization projects that are coming in ahead of schedule and under cost.

OIT Response: The majority of the CBMS modernization projects are coming in on-time and on-budget or vary slightly from original cost estimates. There are, however, four projects that are most likely going to be under budget. Two of these projects are related to worker productivity enhancements and two other projects are related to overall system improvements. It is premature to provide final costs on these four projects because additional work may be necessary.

Google Apps for Government

17. Please describe the Office of Information Technology’s implementation of Google Apps for Government (with an emphasis on email). Include challenges, user satisfaction, and anticipated cost savings.

OIT Response: On October 8, 2012, the State of Colorado Executive Branch consolidated 15 siloed and disparate email systems. The consolidation of email services across the Executive Branch has been discussed and contemplated for many years. The benefits are clear; however, this decision was made at this time for the following reasons:

- a. The legacy infrastructure was unintegrated, complex, outdated and costly to maintain. For example, in October 2011, many state employees lost email capability for a total of three business days and some state email systems were running "EOL" (End of Life), unsupported versions of the software.

- b. The existing systems lacked additional levels of encryption and security that is necessary in today's business world.
- c. Using modern and available technology solutions will help to enable state employee productivity through the use of shared documents, chat and other tools that are already embedded in the Google suite of products.

While cost was not the primary driver of this decision and understanding that many times organizations need to invest money upfront in order to save it over the long run, we do anticipate that over the life of this system and the related suite of office productivity tools, we will be able to realize cost avoidance on behalf of the state. Additionally, by moving to a "cloud" or usage based service, we will be able to better plan for and forecast email costs going forward. In terms of specific dollars avoided, we are still working through Year 1 and ongoing costs based on several factors, such as mailbox count and other additional services that agencies may require to meet their unique business needs.

This was a statewide rollout of significant scope, scale, and complexity, and with any large-scale change, there is always a learning curve for users. User satisfaction to date appears to be in alignment with expectations for an enterprise deployment of this caliber. That said, OIT is measuring the success of the implementation based on the number of tickets reported and the customer satisfaction scores we receive. We will trend this over time and expect to see a downward trend in tickets and upward trend in customer satisfaction as users become increasingly familiar with the new system.

Digital Trunked Radio System

- 18. Please provide an update on the Consolidated Communications System Authority. Include the membership roster and meetings conducted and scheduled for the future.

OIT Response: The Consolidated Communications System Authority (CCSA) kickoff meeting was held October 19, 2012. Election of officers took place with the following results: Bob Ricketts with El Paso County was elected Chair; Kurt Schlegel, Elbert County Commissioner, was elected Vice-Chair; and Chuck Hildebrand with CDOT was elected Secretary. Subsequent meetings were held on November 1, 2012, and on December 6, 2012. The next meeting is scheduled for January 10, 2013. It should be noted that the CCSA is an independent authority, which is not governed by a specific state agency. OIT participates as a member. Below is the complete membership roster:

Region / Agency	Member
South East All Hazards Region	Tandy Hasser, Undersheriff
North Central All Hazards Region	Dave Hayes, Deputy Chief, Boulder Police Department
San Luis Valley All Hazards Region	Jeff Babcock, Coordinator, Homeland Security
South Central All Hazards Region	Robert Ricketts, Radio System Admin, El Paso County Sheriff's Office

Region / Agency	Member
North West All Hazards Region	William Pessemier, PhD, Director, Summit County Communications Center
South West All Hazards Region–(MAC)	Sky Walters, Undersheriff, San Miguel County Sheriff’s Office
North Central All Hazards Region (Zone Switch 1)	Kurt C. Schlegel
North East All Hazards Region (Zone Switch 3)	Brian McCracken, Morgan County Board of County Commissioners
Department of Transportation	Darrell S. Lingk, Director, Office of Transportation Safety
Department of Corrections	Chuck Hildebrand, Manager, DOC Office of Emergency Management
Department of Natural Resources	Eric Harper, Criminal Investigator
Office of Information Technology	Peter Bangas, Manager, Public Safety Communications Network
Department of Public Safety	Donald M. Naccarato, Director of Communications
Department of Local Affairs	Dianne R. Rogers
County Sheriffs of Colorado	Chris Olson, Executive Director
Colorado Association of Chiefs of Police	Paula Creasy, Comm Center Project Mgr., Grand Junction Police Department
State Emergency Medical and Trauma Services Advisory Council	Ray Jennings
Colorado Fire Chiefs Association	John Staley, Chief, Thornton Fire Department
Southern Ute Tribe	To be determined
Ute Mountain Ute Tribe	To be determined

19. The Governor’s FY 2013-14 budget request did not address the software, microwave infrastructure, and tower infrastructure needs cited in CDX Wireless, Inc.’s report to the Consolidated Communications System Authority. Please identify the Office of Information Technology’s plan for addressing these system needs.

OIT Response: OIT is currently working with the Office of State Planning and Budgeting to evaluate and address the funding needs of the DTR system. This is a priority for our office and all of the users of the Public Safety Communications Network, and we want to ensure that we take a thoughtful approach to this very complex issue.

20. Does the Consolidated Communications System Authority have an opinion on the software, microwave infrastructure, and tower infrastructure needs of the system?

OIT Response: CCSA is interested in maintaining the long-term viability of the system’s overall infrastructure. Recently, CDX Wireless gave a brief presentation to the CCSA on their recently completed report on the system’s current and long-term needs. However, as

mentioned previously, CCSA is an independent authority. OIT is a member of CCSA but does not govern its activities.

21. Is there a plan to eventually migrate the Digital Trunked Radio System from microwave technology to fiber optic lines or some other technology? If so, please identify the technologies discussed and the implementation timeframe.

OIT Response: The migration from the current DTR system to an alternative technology is a topic of review. There are many angles to consider when suggesting a migration to incorporate a land-based technology. At this time, microwave provides an alternate path for communication, allowing for critical redundancy needed in emergency situations. While the cost of phased replacement of the existing microwave technology is significant, the cost of laying fiber optic lines to all current DTR/microwave sites would be cost prohibitive considering many of the sites are on granite mountain tops, as well as in very remote rural areas of the state.

22. Does the Digital Trunked Radio System currently leverage the Colorado Department of Transportation's fiber optic lines?

OIT Response: The DTR system does utilize CDOT fiber optic lines when and where the lines are in a location that will provide service for the radio network. Currently, the DTR system uses CDOT fiber from Golden to the Eisenhower Tunnel for connectivity for those particular sites.

Medicaid Management Information System Reprocurement

23. Please describe the roles and responsibilities of the Department of Health Care Policy and Financing and the Governor's Office of Information Technology in the reprocurement of MMIS and the overall management of MMIS during the implementation and operational phases.

OIT Response: OIT does not have oversight or management responsibilities related to MMIS. Our Service Level Commitment with HCPF states: "The parties to the agreement agree and acknowledge that the Agency [HCPF] has retained responsibility, funding and staffing required to develop, maintain and operate the Medicaid Management Information System ("MMIS") as required by the Centers for Medicare and Medicaid Services. The Agency has designated a Division Director of Claims Systems and Operations ("Director CS&O") who will collaborate with OIT to promote enterprise efficiencies and interoperability where appropriate." OIT believes that this agreement defines the roles of the two state agencies involved with MMIS. The questions in the remainder of this section (24 through 28) relate to the management of the system. Therefore, the Department of Health Care Policy and Financing has provided responses.

HCPF Response: The Department collaborates with OIT on many Information Technology (IT) projects, including service contracts that use supporting IT systems such as the upcoming

new MMIS and Fiscal Agent Services contract. In fact, IT Security personnel from OIT were involved in writing the cyber security requirements for the MMIS and Fiscal Agent Services solicitation and have been asked to review two drafts of the solicitation. Also, the Department has requested for OIT to provide staff to join the Evaluation Committee for this solicitation. Furthermore, reprourement staff at the Department regularly participate in the OIT Project Managers Users Group and provide monthly updates on the MMIS reprourement project to OIT's Executive Governance Committee and respond to their questions. Lastly, the Department and the MMIS and Fiscal Agent Operations Services vendor will work with OIT as required to ensure successful interfacing of the MMIS with necessary systems maintained by OIT such as CBMS.

Besides collaborating with OIT on the project, the Department is also soliciting an Independent Verification and Validation (IV&V) vendor, which is essentially an IT project "auditor" that will follow well-defined standards for scrutinizing the organizational, management, and technical IT aspects of the MMIS and Fiscal Agent Services reprourement. The IV&V vendor will be independent of both the Department and the MMIS and Fiscal Agent Services vendor and will verify adherence to industry standards and best practices, identify risks, and make recommendations for corrective action when appropriate. The Centers for Medicare and Medicaid Services (CMS) requires an IV&V vendor for the reprourement and has emphasized to the Department the value that such a vendor will bring to the project.

While the Department is utilizing the expertise and assistance of OIT and an IV&V vendor for this reprourement, due to the federal guidance discussed in response to Question #24, the Department is ultimately responsible for drafting the solicitation and contract for the MMIS and Fiscal Agent Operations Services vendor. Also, during the implementation and operational phases of the contract, the Department is held solely responsible by CMS for the overall management of the MMIS and its related systems.

The Department does not view the MMIS and Fiscal Agent Services contract as an IT contract, but rather as a service contract with an IT infrastructure that the vendor brings under the contract to support that service. The MMIS and Fiscal Agent Operations Services solicitation does not contain system specifications or IT language, but rather describes a service needed to administer the Medicaid program. The vendor will propose a solution that will assist in providing that service. A majority of the annual operating expenses under the contract is for Fiscal Agent Operations Services, which includes claims processing and provider support services. In this context, claims processing is defined as support of the Department's claims receipt, entry, and reporting processes and the use of industry standard and Department-specific claim forms. Provider support services for the Colorado Medical Assistance Provider community include, but are not limited to, communication on Medical Assistance program, training, and provider management services.

24. Do federal regulations and/or rules exist that would preclude the Governor's Office of Information Technology from participating in the reprourement of MMIS and the overall management of MMIS during the implementation and operational phases? If so, please

discuss the exact federal rules and regulations that govern the participation of agencies outside of the Department of Health Care Policy and Financing in MMIS implementation and operation.

HCPF Response: The Department often consults with OIT regarding IT matters, however, CMS regulations and guidance have made clear that the Department, as the single state agency for the Medicaid program (see section 25.5-4-104 (1), C.R.S. (2012)), must oversee the MMIS and Fiscal Agent Services contract. As the single state agency, the Department “...*must not be impaired if any of its rules, regulations, or decisions are subject to review, clearance, or similar action by other offices or agencies of the state*” (42 C.F.R. §431.10 (e)(2)). In guidance from CMS dated January 15, 2009 (attached), CMS states that the MMIS must be “...under the direct control of the single state Medicaid agency and the state Medicaid Director” or else the enhanced federal funding (90% federal financial participation for MMIS development work and 75% federal financial participation for operations) is not available. Therefore, based on the position of CMS, the MMIS and related Medicaid systems and their operations remain under the control of the Department.

25. Please explain the certification process. Is the current MMIS vendor certified? If so, what advantages does this bring to the process? If not, how does this detract from the process?

HCPF Response: CMS completes an MMIS certification review process defined in detail in Section 11240 of the State Medicaid Manual (SMM) for a new MMIS. This process includes a preliminary evaluation by CMS of system documentation, an onsite observation of ongoing operations, and a post-site visit evaluation report. Per 42 CFR §433, Subpart C, successful completion of the CMS certification review process (and any periodic reviews after the initial one) is required for the MMIS to continuously receive enhanced federal funding rates. Due to the significant cost of operating an MMIS, the enhanced federal funding rates are a key advantage to having a certified system.

The Department’s current MMIS has been certified by CMS; CMS certifies a state’s MMIS, and does not certify the vendor that operates the system. Through the RFP process, all proposed solutions will be required to meet CMS certification requirements within twelve (12) months of implementation in order to maintain enhanced federal funding. However, not all vendors who will respond to the solicitation will provide a solution that is currently certified by CMS, and the Department is not requiring proposed solutions to be currently CMS certified. This approach does not distract from the process and instead allows for more competition and a better product once in production.

There are several advantages to the Department by not requiring that the vendor’s proposed solution be a currently certified system. The Department’s approach allows for a flexible solution that maximizes the use of industry-related and application-ready commercial off-the-shelf technologies that support the existing health benefit programs under the direction of the State Medicaid Director and that can be expanded to support future health benefit programs in a cost-effective and timely manner. The Department encourages vendors to propose creative,

innovative solutions for a suite of applications or components to serve as a “best of breed” MMIS.

The proposed solution will need to provide the Department the ability to administer and modernize the Medical Assistance program without changes to the underlying technology and coding that take significant time to complete. To create a modern program that delivers cost-effective health care services that are population specific, the Department will continue to adapt and make progress on how services to clients are delivered and how payments to providers are paid. In addition, the Department will need to modify payments (or rates) to providers and adapt payment methodologies that encourage quality services and healthy outcomes. The solution cannot serve as a cost, time, or resource constraint to implementing these evolving delivery systems and provider payments.

Where practical, proposed solutions will leverage existing components and/or components that can be transferred from an existing, CMS certified system. In addition, the Department expects vendors to propose a solution that leverages technology and resources across states to reduce implementation and operating costs. The proposed solution should provide a benefit to the Department and other states as future changes in technology and federal regulations can be shared across all partners. Further, the proposed solution should include technology refreshes that allow the system and operations to remain up-to-date.

As a result, the solicitation is focused on objectives, outcomes, achieving CMS certification criteria, and performance measurements rather than dictating the exact IT technology requirements or specification that the vendor offer a currently “certified” system.

26. The State Controller reviews high risk contracts. Is the State Controller planning to review the MMIS contracts associated with the reprocurement?

HCPF Response: Yes, the Office of the State Controller will review the resulting contract from this solicitation. The Department has already consulted with the Office of the State Controller to clarify contract language that will be included with the solicitation so vendor concerns are addressed prior to submitting their responses to the solicitation. This approach will decrease the effort and time to negotiate the final contract.

27. Senate Bill 12-096 (Lambert/Levy) dictates that the Governor’s Office of Information Technology has authority to review existing information technology contracts and negotiate contract amendments through June 30, 2014. Additionally, amendments to existing contracts are exempted from the requirements of the procurement code during that time period. Is the MMIS reprocurement eligible for review under this statutory authority?

HCPF Response: No, the MMIS reprocurement is not exempt from the procurement code through this statute. CMS requires a competitive procurement process every eight to ten years and CMS requires MMIS contracts to be competitively bid and procured (SMM Section 2080.4), meaning the Department must reprocure the MMIS by the end of the current contract to maintain federal approval and FFP. The state must follow either its procurement code or

the federal government procurement code during the process. In addition, the Department believes it would be inappropriate to issue a service contract of this magnitude without a competitive procurement process. To date, the Department has held a vendor fair, performed a best practices and market research study, released two drafts of the solicitation, and held two pre-bidder vendor meetings to discuss comments directly from the vendors. The Department has received several comments from vendors that our procurement process has been the most inclusive and transparent they have been involved with and as a result will encourage vendors to submit bids. Traditionally states have not followed a process of releasing draft solicitations and openly responded to vendor comments, which has caused numerous failed procurements.

28. The State Auditor's Office has several outstanding recommendations related to MMIS deficiencies. Will the MMIS procurement address the deficiencies?

HCPF Response: The Department believes that full compliance with the outstanding audit recommendations will be achieved with the implementation of the replacement MMIS system in 2016. While the replacement MMIS and Fiscal Agent Operations Services is expected to be operational by July 2016, the Department's implementation of the Affordable Care Act (ACA) Provider Screening Rules needs to be completed by March 2016 under federal regulations. The MMIS and Fiscal Agent Operations Services contractor is expected to work with the Department to implement ACA Provider Screening Rules as a top priority under the RFP.

Several initiatives are underway to improve compliance in advance of the replacement MMIS:

- a. The Department is implementing changes to the provider enrollment application and process which will improve its compliance with current federal regulations. These changes are expected to be completed by June 2013.
- b. The Department is working with the Departments of Public Health and Environment (DPHE) and of Regulatory Agencies (DORA) to improve and automate the collection of license information provided by these Departments.

For example, a number of processes are already in place to ensure that ineligible providers are not enrolled and are terminated if they become ineligible after enrollment. Many of these processes rely on manual validation of provider eligibility information. As a result, a key component of the RFP for the replacement MMIS is to allow the systematic validation of provider credentials via implementation of an online provider enrollment tool. The contractor who will build the replacement MMIS will be required to work with the Department to implement ACA Provider Screening Rules, such that all providers must perform the re-validation by March 2016.

The Department is working with CMS regarding the ACA Provider Screening Rules in order to amend the State Plan in a way that is satisfactory to CMS during the period between now and the implementation of the replacement MMIS.

ADDENDUM: OTHER QUESTIONS FOR WHICH SOLELY WRITTEN RESPONSES ARE REQUESTED

1. The Joint Budget Committee has recently reviewed the State Auditor's Office *Annual Report of Audit Recommendations Not Fully Implemented* (October 2012). If this report identifies any recommendations for the Department that have not yet been fully implemented and that fall within the following categories, please provide an update on the implementation status and the reason for any delay.
 - a. Financial audit recommendations classified as material weaknesses or significant deficiencies;
 - b. Financial, information technology, and performance audit recommendations that have been outstanding for three or more years.

Response: The recent State Auditor's Office Annual Report of Audit Recommendations Not Fully Implemented contained seven recommendations. Six were in the Office of Information Technology and one in the Colorado Energy Office.

Of those in the OIT, five recommendations were considered significant deficiencies and one recommendation that has been outstanding for four years. All of the significant deficiency recommendations are related to the KRONOS timekeeping system. OIT is working diligently to implement the audit recommendations related to Kronos. The efforts have taken longer than anticipated due to limitations of the software and the necessary coordination between multiple user agencies. OIT estimates that all of the outstanding audit recommendations in this area will be implemented by June 2013.

The one audit recommendation that has been outstanding for four years is related to disabling mainframe access via telnet. At this point, telnet cannot be disabled because several legacy systems still require its use. Instead, OIT has put in place compensating controls such as monitoring, training, and application layer security to protect the confidentiality and integrity of COFRS. As such, we believe this recommendation has been implemented.

The remaining recommendation is related to the Weatherization Assistance Program within the Colorado Energy Office. This stems from a 2010 audit related to the segregation of duties for federal reporting. This recommendation is scheduled to be implemented in January 2013.