



# OFFICE OF THE STATE AUDITOR



## Legislative Audit Committee

January 12, 2016

### Minutes

A meeting of the Legislative Audit Committee (LAC) was convened on January 12, 2016, at 7:05 a.m., in the Legislative Services Building, Audit Committee Hearing Room. Chair Nordberg called the meeting to order. The roll was called with the following result:

**PRESENT:** Senator Carroll, Senator Holbert, Senator Jahn, Senator Neville, Representative Nordberg, Representative Primavera, Representative Ryden, Representative Saine (arrived 7:23 a.m.)

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

**OTHER LEGISLATORS PRESENT:** Representative Tracy Kraft-Tharp, Senator Lucia Guzman

**OSA STAFF PRESENT:** Dianne E. Ray, State Auditor; Kerri Hunter, Matt Devlin, Monica Bowers, Deputy State Auditors; Scott Reid, Michelle Colin, Trey Standley, Christopher Harless

**AGENCY STAFF PRESENT:** Don Brown, Chris Wiseman, Joy Huse, Department of Agriculture; Kimberly Temple, Wall, Smith, Bateman, Inc.; Fiona Arnold, Jeff Kraft, Office of Economic Development and International Trade; Andy Karsian, Colorado Department of Transportation; Ross Kimbrel, Department of Corrections; Eric Myers, Philip Horwitz, Department of Revenue; Jason Gelender, Jeremiah Barry, Esther van Mourik, Office of Legislative Legal Services

DIANNE E. RAY, CPA  
STATE AUDITOR

**7:05 a.m. GENERAL BUSINESS**

**Election of Vice-Chair**

A motion was made by Chair Nordberg and seconded by Senator Carroll to nominate Representative Ryden as Vice-Chair of the LAC. The motion passed by a vote of 7-0.

**Chair Recognition**

Chair Nordberg presented a recognition award to Senator Lucia Guzman for her service as Chair of the LAC, from July 2014 to December 2015.

**7:11 a.m. – Colorado State Fair Authority**  
**7:57 a.m. Financial and Compliance Audit**  
**Fiscal Years Ended June 30, 2015 and 2014**

A motion was made by Senator Holbert and seconded by Senator Neville to release the *Colorado State Fair Authority, Financial and Compliance Audit, Fiscal Years Ended June 30, 2015 and 2014*. The motion passed by a vote of 7-0.

Following introductions and opening remarks, Kerri Hunter, Scott Reid, and Kimberly Temple provided an overview of the audit.

**7:23 a.m.** Representative Saine arrived.

Recommendation 1 was reviewed, discussed, and agreed to by staff from the Colorado State Fair Authority (State Fair). Further discussion ensued regarding how other state fairs are subsidized, fair associations in which the State Fair participates, the decline in contributions from the city of Pueblo, and non-fair events held throughout the year at the State Fairgrounds.

Recommendation 2 was reviewed, discussed, and agreed to by staff from the State Fair. Further discussion ensued regarding the unreconciled \$2.6 million in payroll expenses and the annual budget process. For Fiscal Year 2017, the State Fair requested \$750,000 from the General Fund.

7:57 a.m.      **GENERAL BUSINESS**

**Minutes**

A motion was made by Senator Jahn and seconded by Vice-Chair Ryden to approve the Minutes from December 7-8, 2015. The motion passed by a vote of 8-0.

**Enterprise Zone Annual Report, State Fiscal Year 2015**

Fiona Arnold, Executive Director, Office of Economic Development and International Trade (OEDIT), provided an overview of the report. OEDIT provided an overview of a handout showing the 2016 Colorado Enterprise Zones (EZ) map. Further discussion ensued regarding how the EZ program may benefit the State Fair.

**Legislation Discussion**

Michelle Colin and Matt Devlin provided an overview of Bill Draft LLS No. 16-0239.01, *Concerning the Reestablishment of a Standing Efficiency and Accountability Committee (EAC) by the State Transportation Commission, and, in Connection Therewith, Expanding the Membership and Responsibilities of the Committee.*

Further discussion ensued regarding conflicts of interest concerns for the EAC citizen members and the need for a sunset provision. The Committee requested that the Bill Draft be further discussed at the January 26, 2016, LAC hearing.

Trey Standley and Monica Bowers provided an overview of Bill Draft LLS No. 16-0792.01, *Concerning Implementing Recommendations of the State Auditor's Office by Establishing the Authority of the Correctional Education Program (Program) to Sell Inmate-Produced Products to Specified Persons.*

A motion was made by Representative Primavera and seconded by Senator Jahn to amend the Bill Draft and add a Safety Clause. The motion passed by a vote of 8-0.

A motion was made by Senator Jahn and seconded by Representative Primavera to move the Bill Draft to Bill Paper with the Safety Clause.

A motion was made by Senator Carroll and seconded by Chair Nordberg to amend the Bill Draft and add a provision to require an annual reporting mechanism on compliance with the Bill Draft and the number and outcome of complaints of unfair competition with private businesses. The motion passed by a vote of 8-0.

A motion was made by Vice-Chair Ryden and seconded by Senator Jahn to amend the Bill Draft and add language to allow the Program to sell goods and services near market price OR prices similar to goods and services sold through the Colorado Community College System. The motion passed by a vote of 8-0.

Senator Jahn amended her motion to include the two additional amendments. The motion passed by a vote of 8-0.

The Bill will start in the Senate.

Sponsors:                 Senator Jahn  
                                  Representative Primavera

Co-Sponsors:           Representatives Ryden and Nordberg

Christopher Harless, Ph.D., and Ms. Bowers provided an overview of Bill Draft LLS No. 16-0796.01, *Concerning a Hold Harmless Provision for Retailers Liable for any Money Payable as a Result of an Incorrect Location Code Assigned by the Department of Revenue.*

The Department of Revenue (DOR) stated that it did not have a position on the Bill Draft, but can administer the Bill Draft as written. Further discussion ensued regarding Section 29-2-106(4)(b), C.R.S., and whether or not the State would be responsible for reimbursing local jurisdictions even when an incorrectly registered business is held harmless.

A motion was made by Representative Saine and seconded by Senator Neville to move the Bill Draft to Bill Paper.

A motion was made by Chair Nordberg and seconded by Representative Saine to maintain the Safety Clause in the Bill Draft. The motion passed by a vote of 8-0.

Representative Saine amended her motion to move the Bill Draft to Bill Paper and maintain the Safety Clause. The motion passed by a vote of 8-0.

The Bill will start in the Senate.

Sponsors: Senators Neville and Jahn  
Representatives Saine and Ryden

Co-Sponsors: Representatives Nordberg, Primavera, and Kraft-Tharp  
Senator Carroll

State Auditor Dianne E. Ray provided an overview of Bill Draft LLS No. 16-0793.01, *Concerning a Modification of the Dates on Which the Required Performance Audits of Certain Governmental Entities are Due*.

A motion was made by Vice-Chair Ryden and seconded by Chair Nordberg to move the Bill Draft to Bill Paper. The motion passed by a vote of 8-0.

The Bill will start in the House.

Sponsors: Representatives Nordberg and Ryden  
Senator Holbert

Co-Sponsors: Representative Saine  
Senator Jahn

### **Audit Request**

State Auditor Ray presented a request submitted by Representatives Nordberg and Saine and Senators Holbert and Neville for a full performance audit of Connect for Health Colorado (C4HC). She requested the Committee's approval to begin conducting initial research to determine the potential scope of this audit.

Further discussion ensued regarding the *Colorado Health Insurance Benefits Exchange: Connect For Health Colorado, Limited Performance Audit* (October 2014), which was limited in scope because the OSA had limited statutory authority, and Senate Bill 15-019 which was signed into law after the audit was released and expanded OSA's statutory authority to conduct full performance audits of C4HC but did not require a new audit.

The Committee requested that the initial research includes information on the period that would be audited, expectations for the next audit, and delivery of service issues from the December 2014 audit. Further, the Committee inquired if there are any gaps and redundancies in the work of other C4HC oversight jurisdictions which may or may not impact the scope of the OSA audit work.

A motion was made by Chair Nordberg and seconded by Representative Saine to authorize the OSA to conduct initial research on C4HC. The motion passed by a vote of 8-0.

#### **LAC Rule II. Election of Officers – Duties (Amendment)**

State Auditor Ray provided an overview of the proposed amendment to *LAC Rule II*.

*If the Chair resigns or permanently leaves the Committee, the Vice-Chair shall immediately succeed to the Chair. The Committee shall elect, at the next regularly scheduled meeting, a new Vice-Chair from its membership using the party and chamber rotation as prescribed in rule for the next January election. The new Chair and Vice-Chair will continue in their respective positions until the next January following one year of service.*

*If the Vice-Chair resigns or permanently leaves the Committee, the Committee shall elect, at the next regularly scheduled meeting, a new Vice-Chair from its membership from the same party and chamber as the previous Vice-Chair to finish the term and succeed to the Chair the next January.*

A motion was made by Senator Holbert and seconded by Senator Neville to adopt the amendment to *LAC Rule II*. The motion passed by a vote of 8-0.

#### **Reports Released Without a Hearing**

A motion was made by Representative Saine and seconded by Vice-Chair Ryden to release:

- Adams State University, Financial and Compliance Audit, Fiscal Years Ended June 30, 2015 and 2014
- Colorado State University, Independent Accountants' Report on the Application of Agreed-Upon Procedures (NCAA Procedures), Year Ended June 30, 2015

- Colorado Student Loan Program, dba College Assist, Department of Higher Education, State of Colorado, Fiscal Years Ended June 30, 2015 and 2014
- Fort Lewis College, Financial and Compliance Audit, Fiscal Year Ended June 30, 2015
- State of Colorado, University of Northern Colorado, Financial and Compliance Audit, Year Ended June 30, 2015
- University of Colorado at Boulder, Department of Intercollegiate Athletics, Independent Accountants' Report on Applying National Collegiate Athletic Association Agreed-Upon Procedures, For the Year Ended June 30, 2015
- University of Northern Colorado, Intercollegiate Athletics Department, Independent Accountants' Report on Application of Agreed-Upon Procedures, Year Ended June 30, 2015
- Western State Colorado University, Financial and Compliance Audit, Fiscal Years Ended June 30, 2015 and 2014

The motion passed by a vote of 8-0.

Ms. Hunter provided an overview of the audits.

**9:26 a.m.** There being no further business to come before the LAC, the meeting adjourned. The next scheduled hearing is on January 26, 2016, at 7:00 a.m., in the Audit Committee Hearing Room, Legislative Services Building.

Minutes submitted by: Brittany Wirth  
Executive Assistant to the State Auditor  
Office of the State Auditor