Legislative Audit Committee
June 10-11, 2019
Minutes

Day 1 – June 10, 2019

A meeting of the Legislative Audit Committee (LAC) convened on June 10, 2019 at 10:05 a.m. in the Legislative Services Building, Audit Hearing Room B. Senator Nancy Todd called the meeting to order. Roll was called with the following result:

Committee Members
Representative Rod Bockenfeld, Senator Julie Gonzales, Representative Tracy Kraft-Tharp, Senator Paul Lundeen, Representative Dafna Michaelson Jenet, Senator Jack Tate, Representative Lori Saine (Vice Chair), Senator Nancy Todd (Chair)

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

OSA
Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Kerri Hunter, Deputy State Auditor, Jenny Atchley, Michelle Colin, Crystal Dorsey, Nina Frant, Sarah Grider, Vickie Heller, Bobby Regan, Trey Standley, James Taurman
Other Attendees

Transportation Commission
Shannon Gifford, Commission Chair
Sidny Zink, Commission Audit Committee Chair

Colorado Department of Transportation
Shoshana Lew, Executive Director
Josh Laipply, Chief Engineer
Jeff Sudmeier, Chief Financial Officer

Colorado New Energy Improvement District
Andrew Sand, Board Chair

Sjoberg Evashenk Consulting, Inc.
George Skiles, Principal

Pinnacol Assurance
Phil Kalin, President and Chief Executive Officer
Kathy Kranz, Vice President & Chief Financial Officer
Jeff Cummings, Risk & Audit Committee Chair

KPMG
Ashley Rogers, Audit Partner
Lexi Oberoi, Audit Manager
10:03 a.m.:  
Operational Risk Areas Performance Audit, Department of Transportation and Transportation Commission, May 2019  


Ms. Bowers introduced self and audit staff.  
Ms. Lew introduced self, Commissioners and staff.  
Mr. Standley provided an overview of the report.  

Recommendation #1 was reviewed, discussed, and agreed to by the Colorado Department of Transportation (CDOT). Discussion ensued regarding carry forwards from previous years and expenditures, commitment of federal dollars process, allocations from previous years, budget pools, SAP software, construction management and spending, simplification of categories in budget plan for next year and short term versus long term implementation of changes.  

Recommendations #2 and #3 were reviewed, discussed, and agreed to by the Colorado Department of Transportation (CDOT). Discussion ensued regarding the differentiation between a budget and a revenue allocation plan, carry forward, long bill, statutes used in the audit process, risk assessment tools and statute training.  

Recommendations #4 and #5 were reviewed, discussed, and agreed to by the Colorado Department of Transportation (CDOT).  

Recommendation #6 was reviewed, discussed, and agreed to by the Colorado Department of Transportation (CDOT). Discussion ensued regarding the department’s signature approval process.  

General Business  

Minutes  
Rep. Michaelson Jenet made a motion to approve the March 19, 2019, LAC hearing minutes and Sen. Tate seconded the motion. The motion passed unanimously.  

12:10 p.m.: Recess
1:30 p.m.
Colorado New Energy Improvement District Performance Audit, May 2019


Ms. Bowers introduced self, staff and contractor.

Mr. Sand introduced self and Mr. Skiles gave an overview of the report. Discussion ensued regarding the use of grants and conflict of interest.

Recommendation #1 was reviewed, discussed, and agreed to by the Colorado New Energy Improvement District. Discussion ensued regarding the new project revenue fee model compared to using grants and the short and long term financial sustainability of the program.

Recommendations #2 and #3 were reviewed, discussed, and agreed to by the Colorado New Energy Improvement District. Discussion ensued regarding the source of revenue for the grants received, evaluation of existing assessments, using grants compared to raising fees, program administrator and the lifetime cost savings.

2:15 p.m.
Pinnacol Assurance Statutory-Basis Financial Statements and Supplemental Schedules of Investment Information, December 31, 2018 and 2017


Ms. Rogers provided an overview of the report and discussion ensued regarding the type of accounting used and the insurer of the last resort.

Cake Update

Mr. Kalin provided an update on Cake and discussion ensued regarding possible conflict of interest between Cake and Pinnacol, fees charged to Cake by Pinnacol, founder’s shares and Cake staffing.
3:00 p.m.:

General Business

Report Released Without a Hearing

Ms. Hunter discussed the report.

3:05 p.m.: **Recess**
Tuesday, June 11, 2019

The LAC reconvened at 9:00 a.m. in Hearing Room B of the Legislative Services Building. Sen. Todd called the meeting to order and roll was taken with the following result:

Committee Members
Representative Rod Bockenfeld (arrived 9:03 a.m.), Senator Julie Gonzales, Representative Tracy Kraft-Tharp, Senator Paul Lundeen, Representative Dafna Michaelson Jenet, Senator Jack Tate (arrived 9:17 a.m.), Representative Lori Saine (Vice Chair) (arrived 9:03 a.m.), Senator Nancy Todd (Chair)

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

OSA
Dianne E. Ray, State Auditor, Monica Bowers, Deputy State Auditor, Michelle Colin, Crystal Dorsey, Nina Frant, Sarah Grider, Vickie Heller, James Taurman

Other Attendees
Department of Natural Resources
Dan Gibbs, Executive Director, Department of Natural Resources
Kevin Rein, State Engineer, Director, Division of Water Resources

Department of Corrections
Deb Goheen, Director of Finance and Administration
David Lindsay, Colorado Correctional Industries Director
Kristina Ireland, Colorado Correctional Industries Canteen Services Manager
Brad Duca, Controller
9:00 a.m.

Water Well Inspection Program Performance Audit, May 2019


Following opening remarks and introductions, Ms. Grider provided an overview of the report.

Recommendation #1 was reviewed, discussed, and agreed to by the Department of Natural Resources. Discussion ensued regarding follow-through on violations, high risk wells, efficiency of program and its funding, policy implementation, monitoring high risk wells and drillers with the department’s current resources, value of the program, decrease of inspectors and hiring of inspectors, cost of well drilling and the life of the wells, contamination issues, percentage of the wells inspected and funding issues.

Recommendation #2 was reviewed, discussed, and agreed to by the Department of Natural Resources.

Recommendation #3 was reviewed, discussed, and agreed to by the Department of Natural Resources. Discussion ensued regarding the implementation of the recommendations with current resources.

Recommendation #4 was reviewed, discussed, and agreed to by the Department of Natural Resources. Discussion ensued regarding the use and transfer of general funds.

10:30 a.m.

General Business

2019 Interim Calendar Update

Status Report:
Department of Corrections Performance Audit of the Inmate Canteen and Banking Programs,
April 29, 2019

Following opening remarks and introductions Ms. Goheen provided the department’s status and
discussion ensued regarding the mark-up process and price agreement, security issues regarding
canteen change and the delay of the bid process.

11:35 a.m.
Audit Requests

Auditor Ray requested preliminary research time on the two audit requests:

1. County Child Welfare Expenditures
Rep. Michaelson Jenet made a motion to move forward with the requested preliminary research
time and Sen. Lundeen seconded the motion and the motion passed unanimously.

2. Higher Education Use of State Dollars
Senator Lundeen made a motion to move forward with the requested preliminary research time
and Rep. Saine seconded the motion and the motion passed unanimously.

Tax Expenditure Interim Committee

Ms. Colin provided an update to the committee.

Legislative Update

Ms. Bowers provided the following update on legislation carried by the Audit Committee or
related to audits:

- HB1136 passed
- HB1128 passed
- HB1282 passed
- SB251 passed

Hearing adjourned at 11:00 a.m.

Minutes submitted by: Santiago Vidaurri
Executive Assistant
Office of the State Auditor