



State of Colorado

LEGISLATIVE AUDIT COMMITTEE
 Legislative Services Building - Second Floor
 200 East 14th Avenue
 Denver, Colorado 80203

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January 3, 2012

Senator Lois Tochtrop, Chair
 Senate Business, Labor, and Technology Committee

Dear Senator Tochtrop:

The Legislative Audit Committee is concerned about departments not implementing audit recommendations that they had agreed to implement. The State Auditor and her staff have developed a database to track recommendations and produce reports identifying those not fully implemented. We are providing this report for your consideration as you meet with the Department.

Attached you will find information regarding the following recommendations:

Department of Personnel & Administration		
<u>Number of Recommendations</u>	<u>Audit of Origination</u>	<u>Audit Date</u>
4	State of Colorado Statewide Single Audit	FY2009
6	State Personnel Board Performance Audit	July 2009
1	Performance Audit of the Employee Benefits Program	November 2010
1	Office of Administrative Courts Performance Audit	September 2008

Thank you for integrating this into your discussions.

Sincerely,

Senator Lois Tochtrop

Senator Lois Tochtrop, Chair
 Legislative Audit Committee



Office of the State Auditor Audit Recommendations

All Performance and IT Recommendations That Agency Agreed to But Has Only Partially Implemented

Agency	Date Audit Released by LAC	Name of Audit	Audit Rec Number	Agency Response	Original Implementation Date *1	Current Implementation Date *2	Main Recommendation Text	Recommendation Sub-part Text	Implementation Status	Source of Implementation Status	Date of Implementation Report	Agency Comments from Status Report
Department of Personnel & Administration	2010 November	Performance Audit of the Employee Benefits Program, Department of Personnel & Administration	2073-6a	Agree	2011 June	2011 August	The Department of Personnel and Administration should implement sufficient controls over the benefit enrollment process to ensure that only eligible individuals participate in the State's benefit plans. These controls should include:	a. Conducting an eligibility audit for all individuals currently enrolled in the State's benefit plans. Once the initial audit is completed, the Department should continue to periodically conduct eligibility audits based on a sample of files.	Partially Implemented	Self-Reported by Agency	2011 August	The Department contracted with HMS Employer Solutions to conduct the independent dependent eligibility audit. To date, approximately 90 percent of all covered dependents have been verified. The Department is finalizing the eligibility review process for the remaining dependents and unverified dependents will be removed from coverage by August 2011. In April, the Department began requiring verification of dependent status on all open enrollment and new hire transactions when a dependent is added; transactions that include a dependent must be reviewed and approved by the Employee Benefits Unit. Beginning with FY 2012, mid-year qualified events involving dependents will also be reviewed and approved by the Employee Benefits Unit. The Department also plans to conduct periodic audits of sample records moving forward.

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Office of Administrative Courts	2008 September	Office of Administrative Courts	1924-3b	Agree	2009 June		The Office of Administrative Courts should improve existing methods for determining and assigning workload by.	b. Determining the effects of various factors on the workload of ALLJs.	Partially Implemented	Self-Reported by Agency	2011 January	New implementation date not provided by Agency. The OAC has partially implemented this recommendation. The implementation of pre-hearings for out of town cases has assisted in determining the time necessary to hear the dockets. In addition, the OAC has invited the DOWC pre-hearing ALLJs to its monthly meetings in an attempt to coordinate efforts in determining the factors that do assess workload. The OAC workers' compensation staff and judges continue to meet regularly to assess the OAC workload and to look for areas in which efficiencies that affect hearing length can be implemented.

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Office of the State Auditor Audit Recommendations

All Performance and IT Recommendations That Agency Agreed to Implement But Are Past Due

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Department of Personnel & Administration	2009 July	Department of Personnel & Administration and State Personnel Board	1983-1	Agree	2010 July		Assist state agencies and higher education institutions in implementing effective workforce planning tools by providing training and online technical assistance on implementing metrics related to hiring and succession planning.		Not Implemented	Self-Reported by Agency	2011 January	New implementation date not provided by Agency. Although the Department recognizes that workforce and succession planning are an important part of effective workforce management, no further work is being done in these areas. As part of the Department's budget balancing efforts, programs and functions not specifically addressed in the State Personnel System Act were eliminated, including the three positions and associated employees assigned to workforce and succession planning. The tools and training developed prior to the program being eliminated are available through self-service on the DPA website but no staff resources are available to provide further support.

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Department of Personnel & Administration	2009 July	Department of Personnel & Administration and State Personnel Board	1983-2a	Agree	2010 January	2011 January	The Division of Human Resources should improve the effectiveness of its human resources auditing function as an oversight mechanism by:	a. Conducting a strategic assessment to determine the overall purpose and statutory intent of the function and how best to accomplish this purpose, implementing any necessary changes.	Not Implemented	Self-Reported by Agency	2011 January	New implementation date not provided by Agency. After years of limited success in establishing a formal audit program, the Department has determined that the formal auditing function should remain under the authority of the State Auditor. The Department is proposing legislation for the 2010 session to modify C.R.S. 24-50-101(3)(d) and remove the "post audit" language from the statute. The Department plans to continue its role as a provider of consultant services under C.R.S. 24-50-101(3)(c). The current less formal approach of identifying issues through a variety of transactional sources (data systems, appeals, grievances, consulting encounters), determining the cause, collaborating with agencies for solutions, and creating training and reference resources to address similar issues across the system has been timely and effective in finding and addressing many issues before they've become a liability risk to the State. The limited success of the formal audit program is due to a number of factors including ongoing staffing issues, competing internal priorities, urgency of consulting interactions and access and availability of audited agencies.

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Department of Personnel & Administration	2009 July	Department of Personnel & Administration and State Personnel Board	1983-2b	Agree	2010 January		The Division of Human Resources should improve the effectiveness of its human resources auditing function as an oversight mechanism by:	b. Developing and implementing procedures for conducting human resources audits that define standards for completing and documenting audit work.	Not Implemented	Self-Reported By Agency	2011 January	New implementation date not provided by Agency. After years of limited success in establishing a formal audit program, the Department has determined that the formal auditing function should remain under the authority of the State Auditor. The Department is proposing legislation for the 2010 session to modify C.R.S. 24-50-101(3)(d) and remove the "post audit" language from the statute. The Department plans to continue its role as a provider of consultant services under C.R.S. 24-50-101(3)(c). The current less formal approach of identifying issues through a variety of transactional sources (data systems, appeals, grievances, consulting encounters), determining the cause, collaborating with agencies for solutions, and creating training and reference resources to address similar issues across the system has been timely and effective in finding and addressing many issues before they've become a liability risk to the State. The limited success of the formal audit program is due to a number of factors including ongoing staffing issues, competing internal priorities, urgency of consulting interactions and access and availability of audited agencies.

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Department of Personnel & Administration	2009 July	Department of Personnel & Administration and State Personnel Board	1983-2c	Agree	2010 January		The Division of Human Resources should improve the effectiveness of its human resources auditing function as an oversight mechanism by:	c. Evaluating how its existing staff resources could be reallocated to dedicate more consistent resources to the audit function, and implementing the necessary changes.	Not Implemented	Self-Reported by Agency	2011 January	New implementation date not provided by Agency. After years of limited success in establishing a formal audit program, the Department has determined that the formal auditing function should remain under the authority of the State Auditor. The Department is proposing legislation for the 2010 session to modify C.R.S. 24-50-101(3)(d) and remove the "post audit" language from the statute. The Department plans to continue its role as a provider of consultant services under C.R.S. 24-50-101(3)(c). The current less formal approach of identifying issues through a variety of transactional sources (data systems, appeals, grievances, consulting encounters), determining the cause, collaborating with agencies for solutions, and creating training and reference resources to address similar issues across the system has been timely and effective in finding and addressing many issues before they've become a liability risk to the State. The limited success of the formal audit program is due to a number of factors including ongoing staffing issues, competing internal priorities, urgency of consulting interactions and access and availability of audited agencies.

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Department of Personnel & Administration	2009 July	Department of Personnel & Administration and State Personnel Board	1983-2d	Agree	2010 January		The Division of Human Resources should improve the effectiveness of its human resources auditing function as an oversight mechanism by:	d. Providing training to staff who conduct human resources audits on effective auditing practices.	Not Implemented	Self-Reported by Agency	2011 January	New implementation date not provided by Agency. After years of limited success in establishing a formal audit program, the Department has determined that the formal auditing function should remain under the authority of the State Auditor. The Department is proposing legislation for the 2010 session to modify C.R.S. 24-50-101(3)(d) and remove the "past audit" language from the statute. The Department plans to continue its role as a provider of consultant services under C.R.S. 24-50-101(3)(c). The current less formal approach of identifying issues through a variety of transactional sources (data systems, appeals, grievances, consulting encounters), determining the cause, collaborating with agencies for solutions, and creating training and reference resources to address similar issues across the system has been timely and effective in finding and addressing many issues before they've become a liability risk to the State. The limited success of the formal audit program is due to a number of factors including ongoing staffing issues, competing internal priorities, urgency of consulting interactions and access and availability of audited agencies.

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Department of Personnel & Administration	2009 July	Department of Personnel & Administration and State Personnel Board	1983-2e	Agree	2010 January		The Division of Human Resources should improve the effectiveness of its human resources auditing function as an oversight mechanism by:	e. Considering how technology could improve the efficiency of its auditing efforts.	Not Implemented	Self-Reported by Agency	2011 January	New implementation date not provided by Agency. After years of limited success in establishing a formal audit program, the Department has determined that the formal auditing function should remain under the authority of the State Auditor. The Department is proposing legislation for the 2010 session to modify C.R.S. 24-50-101(3)(c) and remove the "post audit" language from the statute. The Department plans to continue its role as a provider of consultant services under C.R.S. 24-50-101(3)(c). The current less formal approach of identifying issues through a variety of transactional sources (data systems, appeals, grievances, consulting encounters), determining the cause, collaborating with agencies for solutions, and creating training and reference resources to address similar issues across the system has been timely and effective in finding and addressing many issues before they've become a liability risk to the State. The limited success of the formal audit program is due to a number of factors including ongoing staffing issues, competing internal priorities, urgency of consulting interactions and access and availability of audited agencies.

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Office of the State Auditor Recommendations Financial Recommendations Not Entirely Implemented As of Fiscal Year Ending June 30, 2010

Agency	Recommendation	Current Recommendation or Disposition of Prior Recommendation		Statewide Single Audit, Fiscal Year Ending June 30, 2010		Statewide Single Audit, Fiscal Year Ending June 30, 2009		Statewide Single Audit, Fiscal Year Ending June 30, 2008		Statewide Single Audit, Fiscal Year Ending June 30, 2007		
		Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status	Implementation Date or Disposition	Rec Number	Finding Classification	Implementation Status
Department of Personnel & Administration	Improve its internal controls over capital assets by: (a) ensuring that useful lives are accurately applied when calculating the accounting gain or loss on the disposal of vehicles.	28a	Deficiency in Internal Control	Partially Implemented	Ongoing	28a	Significant Deficiency	N/A	Ongoing			
Department of Personnel & Administration	Improve its internal controls over capital assets by: (b) investigating and resolving differences identified during the reconciliation process to ensure that Colorado Automotive Reporting System (CARS) and COFRS data are accurate and that necessary adjustments are made.	28b	Deficiency in Internal Control	Partially Implemented	Ongoing	28b	Significant Deficiency	N/A	Ongoing			
Department of Personnel & Administration	Improve its internal controls over capital assets by: (c) ensuring that vehicle sale losses and depreciation expense are accurately recorded in COFRS.	28c	Deficiency in Internal Control	Partially Implemented	Ongoing	28c	Significant Deficiency	N/A	Ongoing			
Department of Personnel & Administration	Strengthen overall accounting controls by: (b) ensuring that adequate supervisory reviews are in place and documented for all accounting functions.	32b	Deficiency in Internal Control	Partially Implemented	June 2010	32b	Deficiency in Internal Control	N/A	Agree - original implementation date is June 2010			