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MEMORANDUM

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January 14, 2011

TO: Joint Judiciary Committee

FROM: Hillary Smith, Research Assistant, 303-866-3277

SUBJECT: Overview of Recent Audit Recommendations for Selected Departments

This memorandum provides an overview of recent audit recommendations for selected executive departments. Staff reviewed audit reports from 2007 to the present for departments over which the Judiciary committees have oversight responsibilities. Those departments include the:

- Department of Corrections;
- Department of Law;
- Department of Public Safety;
- Judicial Department; and
- Governor's Office of Homeland Security.

Staff identified five reports pertaining to at least one of the departments listed above. Two reports on Pinnacol Assurance, a political subdivision that serves as the state's workers' compensation insurer of last resort, are also included.

The memorandum provides a brief summary of the findings of each audit report as well as a table illustrating the auditor's recommendations and the department's response to such recommendations. Although reports may contain recommendations for more than one department, this memorandum only contains information about recommendations for Pinnacol Assurance or departments over which the Judiciary committees have oversight.

Inmate Benefits Application Assistance

On January 2, 2007, the State Auditor published a performance audit of the Inmate Benefits Application Assistance process at the Department of Corrections (DOC). The report is appended as Attachment A. The audit examined the functions of the DOC and the Department of Health Care Policy and Financing in assisting and expediting the application process of an inmate for receipt of medical assistance or supplemental security income (SSI) prior to release. The audit also examined the function of the Department of Human Services in providing education concerning SSI systems and processes.

According to the report summary, the auditor found that the DOC had not fully implemented an effective application assistance process and that the department lacked complete and reliable information on those inmates who received application assistance. The auditor also found that sufficient data to determine whether the application assistance process is effective does not exist. The audit report made recommendations to address the following problems:

- the DOC could not demonstrate that it has identified all of the inmates who previously received benefits or who may be eligible for benefits in the future, as required by statute;
- correctional staff do not provide a consistent level of application assistance to potentially eligible inmates;
- the DOC lacks reliable and complete data regarding benefit application assistance; and
- DOC staff have not received consistent training on SSI or Medicaid eligibility requirements and processes.

Table 1 on the following page summarizes the auditor's recommendations for ways to address the above problems and the department's response to such recommendations. Although the report suggested recommendations for other departments, only the recommendations pertaining to the DOC have been listed in Table 1. The recommendations have been numbered according to their labels in the auditor's report. Because not all recommendations have been listed in the table, gaps in the numerical sequence may exist.

Table 1
Recommendations for and Responses from the Department of Corrections
Regarding Inmate Benefits Applications Assistance

Recommendation	Response from the Department of Corrections	
	Agree or Disagree	Implementation Date
<p>Number 1: The DOC should improve its processes for identifying inmates who are potentially eligible for SSI or Medical benefits by:</p> <p>A. working with the Social Security Administration and the Department of Health Care Policy and Financing to develop a comprehensive mechanism for identifying all current inmates who received SSI or Medicaid benefits prior to incarceration and documenting this information in the electronic case file;</p> <p>B. providing training to case managers and clinical staff to ensure they understand how to determine whether an inmate was a prior benefit recipient from the electronic case file;</p> <p>C. working with the Department of Human Services to enable the DOC to identify the types of developmental disabilities that may qualify inmates for SSI and Medicaid eligibility and implementing processes to identify and assist these potentially eligible inmates in applying for benefits prior to release; and</p> <p>D. establishing specific standards for extracting information from the disability eligibility reporting system and ensuring correctional staff identify all potentially eligible inmates who will be released at any point within the next 130 days.</p>	<p>Agree</p> <p>Agree</p> <p>Agree</p> <p>Agree</p>	<p>Ongoing</p> <p>April 2007</p> <p>April 2007</p> <p>April 2007</p>
<p>Number 2: The DOC should improve the quality of its benefits application assistance for inmates potentially eligible for SSI or Medicaid by:</p> <p>A. standardizing assistance across facilities by requiring staff to help potentially eligible inmates with completing application forms and implementing a standard application assistance checklist for ensuring SSI and Medicaid applications are complete before they are submitted to either the Social Security Administration or to the county departments of social services;</p> <p>B. ensuring that staff submit Medicaid applications to the department of social services in the county in which the inmate will reside upon release;</p> <p>C. ensuring that case management supervisors monitor the application assistance provided by case managers so that all DOC requirements are met;</p>	<p>Agree</p> <p>Agree</p> <p>Agree</p>	<p>May 2007</p> <p>April 2007</p> <p>April 2007</p>

Table 1
Recommendations for and Responses from the Department of Corrections Regarding
Inmate Benefits Applications Assistance (Cont.)

Recommendation	Response from the Department of Corrections	
	Agree or Disagree	Implementation Date
D. working with the Social Security Administration to create a memorandum of understanding that establishes consistent and appropriate time frames for the acceptance and processing of SSI applications; and	Agree	March 2007
E. working with relevant agencies to determine the best methods for helping eligible inmates obtain required identification documentation so they can access their benefits.	Agree	May 2007
Number 4: The DOC should improve the data collected on the benefits application assistance provided to inmates applying for SSI or Medicaid by:		
A. developing standards for the specific type of information that should be documented, including: the staff who provided the assistance; the type of assistance provided; dates the phases of the assistance process were completed; and records of agency contacts;	Agree	May 2007
B. requiring supervisory review to ensure that case managers and clinical staff comply with documentation standards;	Agree	May 2007
C. ensuring that clinical staff document any application assistance they provide and make such documentation available to case management staff for inclusion in the inmate's case file; and	Agree	May 2007
D. working with the Department of Health Care Policy and Financing to obtain data on outcomes of the application assistance process and then analyzing all available data on an ongoing basis to determine whether any improvements can be made to the benefits application assistance process and modifying the process as needed.	Agree	July 2007
Number 5: The DOC should ensure correctional staff maintain current knowledge of SSI and Medicaid application requirements by:		
A. arranging with the Department of Health Care Policy and Financing and the Department of Human Services for correctional staff to regularly receive updated SSI and Medicaid training and materials;	Agree	Ongoing

Table 1
Recommendations for and Responses from the Department of Corrections Regarding
Inmate Benefits Applications Assistance (Cont.)

Recommendation	Response from the Department of Corrections	
	Agree or Disagree	Implementation Date
B. designating department staff with responsibility for providing internal training and maintaining current knowledge of SSI and Medicaid benefits application requirements; and	Agree	Implemented
C. developing and implementing a training plan and schedule for all relevant correctional staff and ensuring the training is provided periodically, as needed.	Agree	Implemented

Source: Office of the State Auditor

Discretionary Parole

On November 24, 2008, the state auditor published a performance audit of the discretionary parole process administered by the State Board of Parole. The report is appended as Attachment B. The audit examined reported increases in discretionary parole releases, analyzed changes in discretionary parole figures, and evaluated whether consistent and effective systems exist to capture and compare data on discretionary and mandatory parole releases. The audit also evaluated significant trends in parole and the accuracy, reliability, and usefulness of parole data currently available and reported by the Department of Corrections (DOC) and the State Board of Parole. Additionally, the audit examined the Parole Board's practices for reviewing its parole decision-making process and the outcomes of its decisions.

Overall, the audit found that no single source of parole data exists to provide decision-makers with the information needed to develop and evaluate parole policies in Colorado. According to the report, data maintained by the board needs to be enhanced to provide more comprehensive information to measure outcomes and support parole decisions. Data maintained by the DOC needs to be recorded accurately to ensure consistent reporting and analysis over time. Differences in the data reported by the board and the DOC need to be explained so that the different perspectives of the two organizations are understood and erroneous conclusions do not result.

Table 2 on the following page summarizes the auditor's recommendations for ways to address problems with the discretionary parole process and the responses to such recommendations.

Table 2
Recommendations for and Responses from Selected Departments Regarding Discretionary Parole

Recommendation	Response from the State Board of Parole		Response from the Division of Criminal Justice		Response from the Department of Corrections	
	Agree or Disagree	Implementation Date	Agree or Disagree	Implementation Date	Agree or Disagree	Implementation Date
<p>Number 1: The State Board of Parole should work with the Division of Criminal Justice to implement a process for capturing and analyzing the basis for and outcomes of its parole decisions by:</p> <p>A. tracking data related to the board's rationale for granting or denying parole and providing this data to the division for its review and analysis. The board should review results of the division's analysis and make the necessary changes to its decision-making practices;</p> <p>B. resolving different practices for reporting and defining terms and measures, such as recidivism, when evaluating parole practices;</p> <p>C. ensuring the board receives adequate feedback and training to know how the results of the division's analysis, along with the Colorado Actuarial Risk Assessment Scale, can be used to improve the board's decision-making practices;</p> <p>D. determining the resources needed to collect and analyze data related to board decisions and working with the DOC and General Assembly as necessary. This should include automating paper processes to improve efficiencies for collecting and reporting parole data; and</p>					The Department of Corrections was not asked to respond to Recommendation Number 1.	
	Agree	July 2009	Agree	July 2009		
	Agree	Ongoing	Agree	Ongoing		
	Agree	Ongoing	Agree	Ongoing		
	Agree	Summer 2009	Agree	Fall 2009		

**Table 2
Recommendations for and Responses from Selected Departments Regarding Discretionary Parole (Cont.)**

Recommendation	Response from the State Board of Parole		Response from the Division of Criminal Justice		Response from the Department of Corrections	
	Agree or Disagree	Implementation Date	Agree or Disagree	Implementation Date	Agree or Disagree	Implementation Date
E. identifying the specific responsibilities of the board and division in carrying out processes for reporting and analyzing parole decisions as defined in statute, and formalizing these responsibilities in writing.	Agree	March 2009	Agree	March 2009	The Department of Corrections was not asked to respond to Recommendation Number 1.	
Number 2: The State Board of Parole and the DOC should work together to ensure that accurate and meaningful data is collected and reported on parole decisions by the board and parole releases by the DOC. This reporting should include information that is useful for policymakers to identify trends, understand changes, and make appropriate decisions. Further, the board and DOC should ensure mutual understanding of their duties related to the reporting of parole decisions by formalizing the process in a memorandum of agreement.	Agree	January 2009	The Division of Criminal Justice was not asked to respond to Recommendation Number 2.		Agree	January 2009

Source: Office of the State Auditor

Implementation of Senate Bill 06-090

On May 8, 2009, the state auditor published a performance audit of state and local agencies' implementation of Senate Bill 06-090, which requires peace officers and county sheriffs in Colorado, under specific circumstances, to report suspected illegal immigrants to the U.S. Immigration and Customs Enforcement agency (ICE). The report is appended as Attachment C. The report notes that the audit was requested in response to an incident that occurred on September 4, 2008, when a vehicle allegedly driven by a suspected illegal immigrant broadsided another vehicle in Aurora, killing three people.

According to the report summary, the state auditor concluded that local law enforcement agencies, the Colorado State Patrol, and the Department of Local Affairs have substantially implemented and are generally in compliance with the requirements of Senate Bill 06-090. In addition, the auditor found that due to limited local resources and other issues, the implementation of Senate Bill 06-090 alone is unlikely to prevent an accident similar to the one that occurred on September 4, 2008. The report did, however, identify areas where improvements could be made to increase the overall effectiveness and enforcement of Senate Bill 06-090 throughout Colorado.

Table 3 on the following page summarizes the auditor's recommendations for ways to improve the implementation of Senate Bill 06-090 and the Department of Public Safety's response to such recommendations. Although the report suggested recommendations for the Department of Local Affairs as well, only the recommendations pertaining to the Department of Public Safety have been listed in Table 3.

In addition, the auditor found key gaps in the state's information systems used to track and take enforcement action against problem drivers; the gaps increase the risk that problem drivers will continue to drive.

Table 4 on the following page summarizes the auditor's recommendations for the state to improve its efforts to keep problem drivers off Colorado's roadways and to reduce traffic fatalities. Although the report suggested recommendations for the several departments, only those recommendations pertaining to departments over which the Judiciary committees have oversight have been listed in Table 4.

Table 4
Recommendations for and Responses from Selected Departments Regarding the State's Efforts to Keep Problem Drivers Off Colorado's Roadways and to Reduce Traffic Fatalities

Recommendation	Response from the Judicial Branch		Response from the Department of Public Safety	
	Agree or Disagree	Implementation Date	Agree or Disagree	Implementation Date
Number 1: The Judicial Branch, as a participating agency in the Colorado Integrated Criminal Justice Information System Program, should work with criminal justice agencies to integrate municipal courts and Denver County Court into a statewide criminal database in order to provide all prosecutors and courts in the state with complete records of misdemeanor and traffic charges.	Agree	January 2010	The Department of Public Safety was not asked to respond to Recommendation Number 1.	
Number 2: The Colorado Bureau of Investigation, in cooperation with the Division of Motor Vehicles, should continue improvements to the Colorado Crime Information Center (CCIC) and the Driver's License Information System (DLS) to ensure timely, accurate, and real-time data is available for driver's license status checks.	The Judicial Branch was not asked to respond to Recommendation Number 2.		Agree	April 2010
Number 3: The Colorado Department of Transportation and the Colorado State Patrol should work together to seek the adoption of safety legislation requiring the use of seatbelts and motorcycle helmets. Specifically, the laws should require: A. all motor vehicle occupants to wear a seatbelt. In addition, law enforcement officers should have the ability to stop a driver and issue a citation based solely on the failure of the driver or of one or more of the passengers to comply with the requirement; and B. all motorcycle operators and passengers to wear motorcycle helmets when riding on a motorcycle.	The Judicial Branch was not asked to respond to Recommendation Number 3.		Partially Agree	Ongoing

Source: Office of the State Auditor

Performance Audit of Pinnacol Assurance

On May 13, 2010, the State Auditor published a performance audit of Pinnacol Assurance. The report is appended as Attachment E. The report's key findings focus on the following subjects:

- compensation;
- premiums, reserves, and surplus;
- injured workers' claims experience; and
- travel and entertainment.

Table 5 on the following page summarizes the auditor's recommendations for Pinnacol.

Compensation. The auditor compared the combined salaries, bonuses, and perquisites Pinnacol paid its chief executive officer (CEO) to those of similar workers' compensation insurers in other states, other large Colorado political subdivisions, and private insurers that offer workers' compensation coverage to Colorado employers. The auditor found that Pinnacol's executive compensation was generally at the high end of the range among the entities reviewed, but no evidence indicated that Pinnacol's executive compensation was necessarily unreasonable in comparison to other organizations. The auditor did find that Pinnacol paid its CEO significant bonuses relative to other organizations. Overall, the auditor found that Pinnacol's executive and non-executive staff have repeatedly received bonuses at maximum levels for many years. The report identifies several problems related to Pinnacol's compensation, and suggests four recommendations to address these problems.

Premiums, reserves, and surplus. The auditor contracted with Regulatory Consultants, Inc. (RCI), a firm with actuarial and workers' compensation insurance expertise, to review Pinnacol's rate-setting processes for 2006 through 2009. The report states that RCI's review found weaknesses in rate-setting, schedule rating eligibility, and rate filings that raise concerns about whether Pinnacol's rates may be excessive, inadequate, or unfairly discriminatory, in violation of state law. The report lists five recommendations to address these weaknesses.

Injured workers' claims experience. The auditor found that Pinnacol could improve its claims handling and injured workers surveys. According to the report, for 8 percent of the claims tested by RCI, Pinnacol was not in compliance with statutes and rules established by the Division of Workers' Compensation related to the timeliness of claim filing, notifications to injured workers, and sufficiency of documentation for claim admission or denial. In addition, the report notes that Pinnacol does not use the results of its injured worker surveys as a component of the Executive Performance Plan or gainsharing program, whereas it does use the results of customer satisfaction surveys of policyholders as a factor in its bonus programs. The report proposes two recommendations addressing these problems.

Travel and entertainment. According to the report, in 2009, Pinnacol paid about \$1.5 million for travel and entertainment expenses. The auditor found weaknesses in Pinnacol's policies and controls over travel and entertainment expenses, and in its third-party payments made on behalf of Pinnacol personnel and board members. For example, the auditor found that 45 of the sample of 60 travel and entertainment expenses Pinnacol approved did not comply with one or more of Pinnacol's own travel and entertainment expense policies. The auditor also found that Pinnacol's policies do not clearly define, or require the tracking of, gifts or third-party expenses. The report suggests two recommendations related to travel and entertainment.

**Table 5
Performance Audit Recommendations for and Responses
from Pinnacol Assurance**

Recommendation	Response from Pinnacol Assurance	
	Agree or Disagree	Implementation Date
<p>Number 1: The Board of Directors should work with Pinnacol Assurance management to ensure the Executive Performance Plan is structured to promote and reward superior performance by:</p> <p>A. fully documenting the methodology for setting all targets, the rationales for the methodology, and how it should be applied. The documentation should clearly reflect how the board has defined superior performance and how the target-setting methodology supports that definition;</p> <p>B. developing and documenting a standardized evaluation mechanism that includes reviewing the targets against actual results annually. The evaluation should be used to determine the extent to which the program's intent of rewarding superior performance is being accomplished and to modify the program's structure and goals as needed; and</p> <p>C. obtaining professional expertise regarding the development and application of a methodology for setting performance targets as appropriate.</p>	<p>Agree</p> <p>Agree</p> <p>Agree</p>	<p>December 2010</p> <p>December 2010</p> <p>December 2010</p>

Table 5
Performance Audit Recommendations for and Responses
from Pinnacol Assurance (Cont.)

Recommendation	Response from Pinnacol Assurance	
	Agree or Disagree	Implementation Date
<p>Number 2: The Board of Directors should work with Pinnacol Assurance management to improve Pinnacol's controls over awards paid under the Executive Performance Plan by developing and implementing written policies and procedures that:</p> <p style="padding-left: 40px;">A. describe the sources of data and methods for determining net income and combined ratio results for the plan as well as for calculating bonuses;</p> <p style="padding-left: 40px;">B. require a thorough, standardized, and documented review of all data and calculations related to determining bonuses prior to payment; and</p> <p style="padding-left: 40px;">C. establish a mechanism for recovering any bonus payments made in error.</p>	<p style="text-align: center;">Agree</p> <p style="text-align: center;">Agree</p> <p style="text-align: center;">Agree</p>	<p style="text-align: center;">December 2010</p> <p style="text-align: center;">December 2010</p> <p style="text-align: center;">December 2010</p>
<p>Number 3: The Board of Directors should reevaluate whether the discretionary bonus program is in the best interests of Pinnacol Assurance and its policyholders. If the board chooses to retain the program, it should work with Pinnacol Assurance management to strengthen the discretionary bonus program by creating a written policy that:</p> <p style="padding-left: 40px;">A. clearly indicates the program's purpose and how it is distinct from the purpose of the Executive Performance Plan;</p> <p style="padding-left: 40px;">B. includes criteria that define "extraordinary" performance and "special projects" in such a way that they are distinct from the achievements the Executive Performance Plan awards and do not include normally assigned duties;</p> <p style="padding-left: 40px;">C. coordinates the timing of Executive Performance Plan bonuses and discretionary bonuses to prevent duplication;</p> <p style="padding-left: 40px;">D. includes the requirement that the CEO report all discretionary bonuses to the board for review before the bonuses are paid; and</p> <p style="padding-left: 40px;">E. documents the dollar limits the board has established for the program.</p>	<p style="text-align: center;">Agree</p> <p style="text-align: center;">Agree</p> <p style="text-align: center;">Agree</p> <p style="text-align: center;">Agree</p> <p style="text-align: center;">Agree</p>	<p style="text-align: center;">December 2010</p> <p style="text-align: center;">December 2010</p> <p style="text-align: center;">December 2010</p> <p style="text-align: center;">December 2010</p> <p style="text-align: center;">December 2010</p>

Table 5
Performance Audit Recommendations for and Responses
from Pinnacol Assurance (Cont.)

Recommendation	Response from Pinnacol Assurance	
	Agree or Disagree	Implementation Date
<p>Number 8: Pinnacol Assurance should improve its rate filings submitted to the Division of Insurance by:</p> <p style="margin-left: 40px;">A. reevaluating its Schedule Rating Plan to eliminate factors that duplicate the employer's experience rating;</p> <p style="margin-left: 40px;">B. ensuring it files any changes to its Schedule Rating Plan before applying the changes; and</p> <p style="margin-left: 40px;">C. ensuring it submits filings that are complete and accurate.</p>	<p style="margin-left: 40px;">Partially Agree</p> <p style="margin-left: 40px;">Agree</p> <p style="margin-left: 40px;">Agree</p>	<p style="margin-left: 40px;">December 2010</p> <p style="margin-left: 40px;">December 2010</p> <p style="margin-left: 40px;">December 2010</p>
<p>Number 9: The Board of Directors should continue to work with Pinnacol Assurance management to apply the surplus policy, including annually evaluating the surplus collar, adjusting the collar as appropriate, and managing rates and dividends to bring the surplus to a level within the collar.</p>	<p style="margin-left: 40px;">Agree</p>	<p style="margin-left: 40px;">Implemented and ongoing</p>
<p>Number 10: Pinnacol Assurance should continue its training and other efforts to ensure that staff are handling claims appropriately and to reduce errors and violations in processing claims.</p>	<p style="margin-left: 40px;">Agree</p>	<p style="margin-left: 40px;">Implemented and ongoing</p>
<p>Number 11: Pinnacol Assurance should consider expanding the use of the injured worker surveys by setting targets and including the results as a component of the Executive Performance Plan and gainsharing program.</p>	<p style="margin-left: 40px;">Agree</p>	<p style="margin-left: 40px;">December 2010</p>
<p>Number 12: Pinnacol Assurance and the Board of Directors should adhere to established policies over employee and board travel and entertainment expenses and improve policies where necessary by:</p> <p style="margin-left: 40px;">A. establishing a meaningful review process that enforces all policy requirements such as those for proper receipts, documentation, prior approval, justification, and allowable expense provisions. Managers that do not uphold policies should be subject to disciplinary action; and</p> <p style="margin-left: 40px;">B. establishing and implementing a policy that requires an independent review of board member and CEO travel and entertainment expenses, such as by requiring the board or a designated board member to review for approval the expenses of the CEO, and requiring the board chair to review for approval the expenses of board members.</p>	<p style="margin-left: 40px;">Agree</p> <p style="margin-left: 40px;">Agree</p>	<p style="margin-left: 40px;">December 2010</p> <p style="margin-left: 40px;">December 2010</p>
<p>Number 13: Pinnacol Assurance should strengthen its</p>	<p style="margin-left: 40px;">Agree</p>	<p style="margin-left: 40px;">December 2010</p>

Table 5
Performance Audit Recommendations for and Responses
from Pinnacol Assurance (Cont.)

Recommendation	Response from Pinnacol Assurance	
	Agree or Disagree	Implementation Date
controls over lodging and non-business meal expenses by establishing clear "not to exceed" spending guidelines on these expenses in its expense policies and by requiring employees and board members to follow the guidelines.		
Number 14: Pinnacol Assurance and the Board of Directors should strengthen employee and board business ethics and conflicts of interest policies by defining the type and dollar value of gifts, benefits, or expenses paid by Pinnacol's business partners that employees and board members must disclose.	Agree	December 2010

Source: Office of the State Auditor

Financial Audit of Pinnacol Assurance

On May 21, 2010, the State Auditor published a financial audit of Pinnacol Assurance. The report is appended as Attachment F. The report's key findings focus on the following subjects:

- information technology general controls;
- transfer of policyholder receivable data from the Workers' Compensation Information System (WCIS) to the General Ledger;
- processing of structured settlement payments through WCIS;
- WCIS execution of check authority levels;
- review of market values provided by the investment manager;
- formalization of key controls over other-than-temporary impairment of investors; and
- system criteria to track written premiums.

Table 6 on the following page summarizes the auditor's financial recommendations for Pinnacol.

Table 6
Financial Audit Recommendations for and Responses from Pinnacol Assurance

Recommendation	Response from Pinnacol Assurance	
	Agree or Disagree	Implementation Date
<p>Number 1: Pinnacol Assurance should improve its information technology general controls by:</p> <p>A. expanding and implementing control policies and procedures that require periodic reviews and documentation of user access rights. Actions taken should be properly documented and retained by Pinnacol; and</p> <p>B. implementing the internal audit recommendation that "direct write access to the databases housing production and/or sensitive business data should be restricted to appropriate users based on job responsibility." Pinnacol should restrict this access so that non-IT business users do not have elevated or administrative type rights within the database.</p>	<p>Agree</p> <p>Agree</p>	<p>December 2010</p> <p>September 2010</p>
<p>Number 2: Pinnacol Assurance should investigate the underlying cause of the variance between amounts in the WCIS system and the data uploaded through the Financial Transaction Reporting System (FTRS) to the general ledger in order to ensure policyholder receivable balances are appropriately recorded and reported within the financial statements.</p>	<p>Agree</p>	<p>December 2010</p>
<p>Number 3: Pinnacol Assurance should establish a process and thoroughly test any new system to ensure payments are processed correctly prior to implementation. Additionally, Pinnacol should ensure internal controls are designed, implemented, and operating effectively at a sufficient level of detail to prevent incorrect structured settlement payments from being processed and issued through WCIS. Pinnacol should continue to investigate checks which may have been issued in error, as well as underlying causes of such errors within the system and make adjustments or changes as appropriate.</p>	<p>Agree</p>	<p>December 2010</p>
<p>Number 4: Pinnacol Assurance should implement a control or set of controls to detect when claim representatives exceed their check authority level prior to the issuance of multiple checks relating to the same claim. In addition, claim representatives should be required to receive authorization prior to exceeding their check authority level through the issuance of multiple checks which aggregate to an amount exceeding established check authority levels.</p>	<p>Agree</p>	<p>September 2010</p>

Table 6
Financial Audit Recommendations for and Responses from Pinnacol Assurance (Cont.)

Recommendation	Response from Pinnacol Assurance	
	Agree or Disagree	Implementation Date
Number 5: Pinnacol Assurance should design and implement a formalized control whereby management reviews the market value of investments provided by the investment manager for reasonableness.	Agree	September 2010
Number 6: Pinnacol Assurance should document a control or set of controls which define the current policy and processes in place related to the evaluation of other-than-temporary impairment of investments.	Agree	December 2010
Number 7: Pinnacol Assurance should develop, document, and implement a formal process to accurately track written premiums.	Agree	December 2010

Source: Office of the State Auditor

Concealed Handgun Permit Database

On November 18, 2010, the State Auditor published a performance audit of the Concealed Handgun Permit Database maintained by the Colorado Bureau of Investigation (CBI) in the Department of Public Safety. The report is appended as Attachment G. The Concealed Handgun Permit Database was created by Senate Bill 03-024, which established that:

- sheriffs must maintain a list of the persons to whom they issue concealed handgun permits;
- sheriffs may, at their discretion, share information from their list of permittees with other law enforcement for the purpose of determining the validity of a permit; and
- a database of permittees, composed of information provided by the sheriffs, may be maintained by a state agency as long as the database is searchable by name only.

The auditor's report addressed the following subjects:

- the security of information contained in the database;
- the accuracy of the information contained in the database; and
- the benefits of the database for Colorado law enforcement and for public safety.

The auditor found that while the Concealed Handgun Permit Database is physically and logically secure, the information in it is not reliable for law enforcement to use in determining the validity of a permit, which is the stated purpose of the database in Colorado

Table 7
Recommendations for and Responses from the Department of Public Safety Concerning
the Concealed Handgun Permit Database (Cont.)

Recommendation	Response from the Department of Public Safety	
	Agree or Disagree	Implementation Date
F. systematically configuring the CCIC system according to an approved standard so that it protects sensitive information and documenting the results; and	Agree	Ongoing
G. reviewing user access rights to the concealed handgun permit database and taking steps to ensure that county sheriffs' offices are the only agencies entering information into the database. In addition, the department should review records created by police departments and remove as appropriate.	Agree	July 2011
Number 2: If the General Assembly authorizes the continuation of the Concealed Handgun Permit Database beyond July 1, 2011, the Colorado Bureau of Investigation should improve the reliability of information in the database for determining the validity of a permit by working with sheriffs to:		
A. establish data integrity controls to help ensure that permit records are accurate;	Agree	December 2011
B. implement uniform policies and procedures for entering, updating, and purging concealed handgun permit records;	Agree	December 2011
C. address the inaccurate records identified by the auditor to ensure that these records contain valid expiration dates and do not contain contradictory record classification and notes, and removing records as appropriate; and	Agree	August 2011
D. consider reviewing the database annually for records with errors and inconsistencies and providing a listing of those records to sheriffs for their review and correction.	Agree	December 2011

Table 7
Recommendations for and Responses from the Department of Public Safety Concerning
the Concealed Handgun Permit Database (Cont.)

Recommendation	Response from the Department of Public Safety	
	Agree or Disagree	Implementation Date
<p>Number 3: If the General Assembly does not authorize the continuation of the Concealed Handgun Permit Database beyond July 1, 2011, the Colorado Bureau of Investigation should ensure that data contained in the database, including all records and information contained in it, are deleted from the CCIC system and destroyed by July 1, 2011, pursuant to section 18-12-206 (3) (b) (I), C.R.S., and that permit information is not entered into other parts of the CCIC system.</p>	Agree	December 2011

Source: Office of the State Auditor

Attachments A through G can also be found at this website:

www.leg.state.co.us/OSA/coauditor1.nsf/ReportPublic?openform