

Colorado Department of Regulatory Agencies

Annual Report

Fiscal Year 2015-2016



COLORADO
Department of
Regulatory Agencies

The Colorado Department of Regulatory Agencies

Consumer Protection is our mission

The Department of Regulatory Agencies (DORA) is dedicated to preserving the integrity of the marketplace and promoting a fair and competitive business environment in Colorado.

In this report

3

Letter from the Executive Director

4

Our Organization

- Divisions
- Program Areas
- History of DORA
- DORA Snapshot
- What DORA Licenses and Regulates

12

Reducing Red Tape and Supporting Economic Development

- Cutting Red Tape
- Supporting Economic Development
- Modernizing Systems
- Colorado Regulatory Approach Praised Nationally

18

Combating Predatory Practices

- Predatory Practices Working Group
- Fighting Financial Fraud
- Taking Action
- Massage Therapy Bill Combats Human Trafficking

24

DORA in the Community

- DORA's "Take 5" Campaign
- Improving Customer Service

Dear fellow Coloradans,

Since June of 2015, I have had the distinct and humbling honor of leading the Colorado Department of Regulatory Agencies (DORA) and working with our nearly 600 dedicated employees towards a shared goal of protecting consumers, preserving the integrity of the Colorado marketplace, and promoting a fair and competitive business environment.

Our Department is comprised of nine distinct divisions, which include over 40 boards, commissions and advisory committees. The Division of Professions and Occupations alone regulates more than 50 professions, occupations and businesses in the state, totaling more than 400,000 people.

Throughout our divisions, we have a shared commitment to advance an environment and regulatory framework where both businesses and consumers are treated fairly and the economy flourishes. Our Department has a sharp focus on streamlining and modernizing our processes, enhancing end-to-end customer experiences, and reducing unnecessary “red tape” to support a marketplace in which businesses thrive and consumers are protected.

Over the last year, the Department has continued to make great strides in achieving strategic priority initiatives as outlined in DORA’s Performance Plan, including cutting

red tape, modernizing systems and protecting consumers. As you’ll find in this report, DORA has eliminated many unnecessary administrative rules, regulations and policies. We continue to transition legacy licensing functions to online platforms, and just last year deployed e-License for the Division of Real Estate, enabling roughly 55,000 licensed real estate industry professionals across Colorado to submit their applications and renewals online.

We have also brought critical enforcement actions that resulted in criminal and civil sanctions against bad actors – for example, the Division of Securities alone brought 71 enforcement actions, over \$33 million ordered in damages and \$5.5 million in restitution back to harmed investors. Our Department has also collaborated with local and federal partners to ensure all Coloradans are safeguarded. The Civil Rights Division has partnered with the U.S. Equal Employment Opportunity Commission (EEOC) regarding the successful investigation, prosecution and \$1 million settlement of a Vail condominium complex (the largest EEOC sexual harassment settlement in Colorado’s history) as part of a discrimination and retaliation lawsuit brought on behalf of female employees of the complex.

Finally, we have spearheaded legislation which allows regulators to better complement the efforts of law enforcement, including the Division of Professions and Occupations’ leading of DORA agenda bill, House Bill 16-1320, which closed regulatory loopholes in addressing the growing problem of sex trafficking in relation to the practice of unlicensed massage therapy.

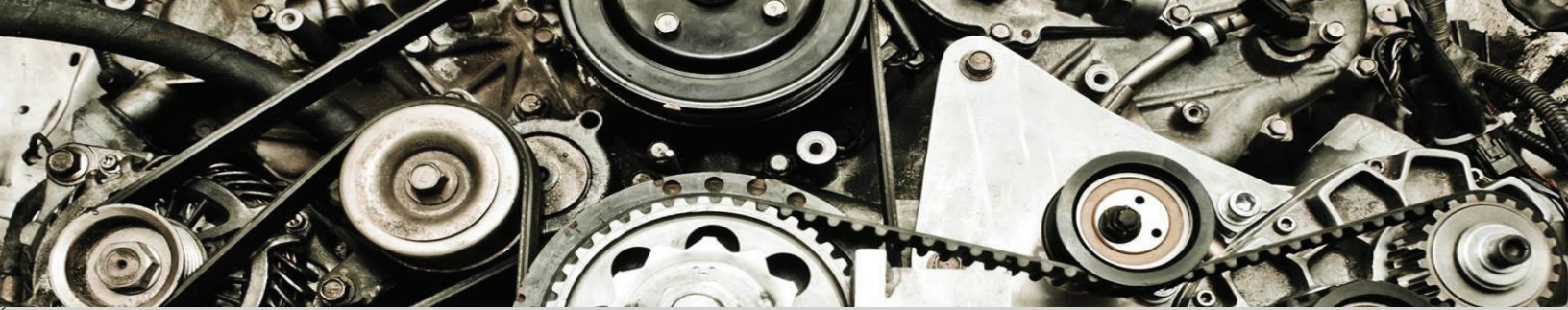
We hope you enjoy reviewing some of our successes from this past fiscal year. We look forward to bringing you more developments via the *DORA Quarterly* e-newsletter, which I invite you to subscribe at dora.colorado.gov.



A handwritten signature in white ink that reads "Joe Neguse".

Joe Neguse
Executive Director
Department of Regulatory Agencies





Our Organization

Executive Director's Office

Joe Neguse, Executive Director

The Executive Director's Office provides leadership and support to DORA's nine divisions. Functions include Accounting and Purchasing, Budgeting, Communications, Legislative Services, Human Resources, and Information Technology Services.

Colorado Office of Policy, Research and Regulatory Reform

Bruce Harrelson, Director

The Colorado Office of Policy, Research and Regulatory Reform enhances consumer protection through reviews of regulation and policy throughout state government to ensure that regulation is necessary, effective, consistent, flexible and fair.

Division of Banking

Chris Myklebust, Commissioner

The Division of Banking protects the public interest and preserves public trust in the Colorado banking industry by regulating the business of state-chartered commercial banks and trust companies, state licensed money transmitters, and enforcing the Public Deposit Protection Act.

Division of Civil Rights

Aubrey Elenis, Director

The Civil Rights Division works to eliminate discrimination in employment, housing and places of public accommodation under Colorado Civil Rights Laws.

Division of Financial Services

Chris Myklebust, Acting Commissioner

The Division of Financial Services works to protect public interest and preserve public trust by regulating the business of state-chartered credit unions, savings and loan associations and the financial activities of life care institutions under its supervision.

Division of Insurance

Marguerite Salazar, Commissioner

The Division of Insurance regulates the insurance industry and assists consumers and other stakeholders with insurance issues, to ensure that insurance companies, as well as their agents, to make sure everyone is following the law.

Division of Professions and Occupations

Ronne Hines, Director

The Division of Professions and Occupations provides customer protection by licensing over 50 professions, occupations and businesses in Colorado.

Division of Real Estate

Marcia Waters, Director

The Division of Real Estate protects real estate consumers by licensing and enforcing laws for real estate brokers, mortgage brokers and appraisers.

Division of Securities

Gerald Rome, Commissioner

The Division of Securities protects investors and maintains public confidence in the securities markets while avoiding unreasonable burdens on participants in the capital markets.

Office of Consumer Counsel

Cindy Schonhaut, Director

The Office of Consumer Counsel represents the interests of residential, small business and agricultural consumers before the Public Utilities Commission.

Public Utilities Commission

Doug Dean, Director

The Public Utilities Commission serves the public interest by effectively regulating utilities and facilities so that the people of Colorado receive safe, reliable, and reasonably-priced services consistent with the economic, environmental and social values of our state.



Program Areas

Licensing/Permitting

Individual and business licensure for more than 50 professions, occupations and business types.

Divisions: Banking, Insurance, Professions and Occupations, Public Utilities Commission, Real Estate, Securities

Enforcement

Resolution of complaints/charges received and proactive enforcement/compliance oriented investigations ensuring adequate consumer protection.
Divisions: Civil Rights, Insurance, Professions and Occupations, Public Utilities Commission, Real Estate, Securities

Institutional Examinations

Examinations of all state-chartered financial institutions and insurance companies.
Divisions: Banking, Financial Services, Insurance, Real Estate, Securities

Consumer Assistance and Contact/Complaint Resolution

Informal complaint resolution, including responses to general consumer inquiries.
Divisions: All

Investigations

Criminal and compliance investigations, both in response to formal complaints, and as part of regular audits.
Divisions: Civil Rights, Insurance, Professions and Occupations, Public Utilities Commission, Real Estate, Securities

Rate Analysis and Approval

Analysis and/or review of requests to change the rates, terms and conditions of service offerings; and other factors in accordance with state regulations to assure rates are not excessive, inadequate or unfairly discriminatory.
Divisions: Banking, Insurance, Professions and Occupations, Public Utilities Commission, Real Estate

Consumer Representation During Utility Rate Approvals

Present evidence in support of consumers when utilities request rate increases
Divisions: Office of Consumer Counsel

Inspections

Inspections for more than 10 regulatory professions and areas pursuant to statutory requirements.
Divisions: Insurance, Professions and Occupations, Public Utilities Commission

Education, Outreach and Training

Proactive dissemination of information about consumer rights.
Divisions: All

History of DORA

The Colorado Department of Regulatory Agencies was created in 1968, yet several of the Department's divisions have been protecting Colorado citizens for decades.



1876

Colorado became a state.



1883

Colorado began regulating insurance through the State Auditor's Office, now called the Office of the State Auditor. In 1913, the Colorado Department of Insurance, now known as the Division of Insurance, was formed in response to widespread growth in the industry.



1923

Regulation of the offer and sale of securities to investors began through the Division of Securities.



1913

The Colorado Public Utilities Commission (PUC) is created as part of the Public Utilities Act of 1913.



1877

State regulation of Colorado banks began; the Colorado Legislature first codified the process by which banking associations could be chartered and operated.



1925

The real estate industry began being regulated by what is now known as the Division of Real Estate.



1931

Colorado began chartering Credit Unions when the General Assembly passed the Credit Union Act. Regulation of Credit Unions, savings and loan institutions and trust companies is conducted by what is now known as the Division of Financial Services.



1968

The Department of Regulatory Agencies is created pursuant to the “Administrative Organization Act of 1968.” The act moved the aforementioned agencies into one umbrella department. The act also created the Division of Registrations (now known as the Division of Professions and Occupations) and moved many existing boards under its purview. Many of these boards have also been in existence for over a century.



1984

The Office of Consumer Counsel (OCC) was created by the General Assembly as a division of the Attorney General’s Office. OCC is now located within DORA. Its mission is the representation of residential, small business and agricultural utility consumers on certain utility issues before the Colorado Public Utilities Commission.



1976

Colorado passed the first Sunset Law in the United States. This law requires the periodic review of various agencies throughout state government. The Colorado Office of Policy, Research and Regulatory Reform, an office within the Executive Director’s Office of the Department of Regulatory Agencies, conducts these reviews.



1951

Colorado became the third state to establish a civil rights agency, now known as the Colorado Civil Rights Division.

DORA's Organizational Structure

583.6 Full Time Employees (FTE)
\$88 million



Executive Director's Office

303-894-7866
dora.colorado.gov/edo
29.5 FTE



Deputy Executive Director



Chief Administrative Officer



Colorado Office of Policy, Research, and Regulatory Reform

303-894-7855
dora.colorado.gov/opr



Division of Professions and Occupations

303-894-7800
dora.colorado.gov/dpo
201.9 FTE



Division of Banking

303-894-7575
dora.colorado.gov/dob
40.0 FTE



Division of Real Estate

303-894-2166
dora.colorado.gov/dre
55.9 FTE



Division of Civil Rights

303-894-2997
dora.colorado.gov/crd
27.2 FTE



Division of Securities

303-894-2320
dora.colorado.gov/dos
24.0 FTE



Division of Financial Services

303-894-2336
dora.colorado.gov/dfs
15.6 FTE



Office of Consumer Counsel

303-894-2121
dora.colorado.gov/occ
7.0 FTE



Division of Insurance

303-894-7499 or 1-800-930-3745
dora.colorado.gov/insurance
85.2 FTE



Public Utilities Commission

303-894-2000
dora.colorado.gov/puc
97.3 FTE

By the Numbers



DORA is primarily **cash funded** by regulated entities through fees and assessments, which flow into cash funds. DORA is unique among state agencies with regard to the volume, complexity, and autonomy with which it sets industry fees based on appropriations made by the General Assembly.

Only two areas within the Department involve the state **General Fund**: the Division of Civil Rights, which is partially funded by the General Fund; and the Division of Insurance, which is supported by a combination of license fees and insurance premium tax revenues.

DORA strives to **keep fees minimal** and regulation limited to effectively balance safety, business needs, and the value of quality and services to consumers.

DORA is **40** boards, commissions and advisory committees including:

Accountancy Board
Boxing Commission
Chiropractic Board
Civil Rights Commission
Colorado Medical Board
State Banking Board
Social Workers Examiners Board
Board of Addition counselors
Real Estate Commission
Pharmacy Board
Passenger Tramway Safety Board
Electrical Board
Dental Board
Registered Psychotherapist Board
Plumbing Board
Landscape Architect Board

charged with administering over

50

regulatory programs which oversee professions, occupations and businesses

comprising over

710,000

individual licenses



and approximately

40,000

businesses and institutions



The Division of Professions and Occupations (DPO) is **DORA's largest licensing division**

DPO is responsible for more than half (440,000) of the licenses



administers

22
boards

16

director model programs

(of which five have advisory committees)

1

commission &

1

task force

What DORA Licenses and Regulates

Financial Services



Accounting Firms
Broker-Dealer Firms
Broker-Dealer Sales Representatives
Certified Public Accountants
Investment Adviser Firms
Investment Adviser Representatives
Money Transmitters
Mortgage Broker-Dealers
Mortgage Loan Originators
State-Chartered Savings & Loans
State-Chartered Banks
State-Chartered Credit Unions

Real Estate, Buildings and Repair



Appraisers
Architects
Community Association Managers
Electrical Contractors
Electricians
Engineers
Homeowners Associations (via HOA Information and Resource Center)
Land Surveyors
Landscape Architects
Plumbers
Plumbing Contractors
Real Estate Brokers
Sub-Division Developers
Title Insurance Agents/Agencies

Insurance

Insurance Agents/Brokers
Insurance Companies

Utilities

Investor-owned electric, gas, water
Some telecommunications services



Healthcare and Wellness



Acupuncturists
Addiction Counselors
Athletic Trainers
Audiologists
Chiropractors
Dental Hygienists
Dentists
Direct-entry Midwives
Hearing Aid Providers
Marriage and Family Therapists
Massage Therapists
Naturopathic Doctors
Nurses
Nurse Aides
Nursing Home Administrators
Occupational Therapists/Occupational Therapy Assistants
Optometrists
Pharmacists
Pharmacies
Physical Therapy
Physicians (all types)
Physician Assistants
Podiatrists
Professional Counselors
Psychiatric Technicians
Psychologists
Registered Psychotherapists
Respiratory Therapists
Speech Language Pathologists
Social Workers
Surgical Assistants/Surgical Technologists

Transportation



Charter Buses
Children's Activity Buses
Limousines
Off-road Charters
Moving Companies (household goods)
Non-consensual Towing
Passenger Tramways
Shuttles
Taxis
Transportation Network Companies

Beauty



Barbers
Barber/Cosmetology Shops and Salons
Cosmetologists
Estheticians
Hairstylists
Nail Technicians

Other

Bail Bonds/Bail Bonds Agents
Boxing
Conservation Easement Holders
Conservation Easement Tax Credits
Daily Fantasy Sports
Funeral Homes, Crematories, and sellers of pre-need funeral services
Medicare Assistance - home of State Health Insurance Assistance Program (SHIP)
Outfitters
Private Investigators



Reducing red tape & supporting economic development



Streamlining occupational licensing for veterans

DORA undertook a series of initiatives during fiscal year 2015-2016 to streamline occupational licensing for veterans to assist with the transition back into civilian life. The Division of Insurance secured contracts to enable insurance producer applicants to take exams at various military sites, both in the U.S. and overseas. Also, in collaboration with the U.S. Army and Pueblo Community College, the Board of Nursing has worked to develop a stand-alone medication administration course to allow veterans to more efficiently qualify to take the examination.

The Division of Securities releases 2016 crowdfunding rules

The Division of Securities released a set of rules in response to the Colorado Crowdfunding Act, which was approved by the state legislature last spring and signed by Governor Hickenlooper. The rules govern the actions of those seeking to take advantage of this new legal investment option. Equity crowdfunding differs from current crowdfunding enterprises such as Kickstarter and Indiegogo. With equity crowdfunding, businesses that choose to solicit money from the general public are able to offer equity or a stake in the company. Previously, individuals who contributed to crowdfunding campaigns were not allowed shares in the company, and their contributions were considered donations to an effort. Colorado joined a handful of other states in legalizing this method of capital acquisition in response to a delay in federal crowdfunding rules that were made legal through the 2012 Jump-Start Our Business Start-Ups (JOBS) Act.



Improving state banking board procedures

In May 2016, Governor Hickenlooper signed into law a bill championed by DORA that supports Colorado's community banks by closing a regulatory gap involving legal requirements around how often their boards of directors

meet. Senate Bill 16-126, "Concerning Parity of State-Chartered Banks with Federally Chartered Banks Regarding Frequency of Meetings," provides community banks' board of directors the option to meet at least quarterly instead of the current requirements of having to meet monthly. The change makes Colorado law, which had stricter requirements, more closely match federal law concerning how often a community bank's board of directors must meet.



Increasing accessibility for Spanish speakers

The Colorado Civil Rights Division implemented several major changes last year to better assist Spanish speaking populations

with filing a complaint and going through the investigation process. For example, the division brought two bilingual investigators on board, as well as translated all transmittal documents to charging parties into Spanish. The phone system was also updated to ensure Spanish speakers are quickly connected to a division staff member able to assist them.



Saving Mortgage Loan Originator applicants time and money

Pursuing a career in the mortgage industry became easier this year thanks to a new rule that makes the examination process more efficient, saving both time and money. Previously, applicants

had to successfully pass a two-part examination, local and national. With each came its own separate test and enrollment fee. A new rule was adopted in March 2016 which repeals state-specific testing requirements and instead incorporates those requirements into pre-licensing education curriculum. The change directly reduces an applicant's cost to obtain a mortgage loan originator license, saving applicants \$69. The Division of Real Estate estimates the new rule will save individuals and businesses wanting to do business in Colorado more than \$170,000 per year.

There are **10,792** active licenses and registrations for Mortgage Loan Originators in FY2015-2016



Reducing backlogs and improving processes in money transmitter licensing

Through the reduction of legal expenses, consolidation/merger of

positions, and overhauling of the application process, the Division of Banking eliminated a money transmitter application backlog from 2012 and secured more than \$200,000 in savings.

The division also integrated the Nationwide Multistate Licensing System and Registry (NMLS) to license money transmitters. This cut red-tape for licensees by eliminating the Colorado requirement that they separately file for licensure with Colorado in favor of a one-stop portal where they can file with multiple states simultaneously. The improvement was recommended by a stakeholder group during Lean activities that included the industry.

Supporting workforce development



Helping to fill the mental healthcare worker shortage

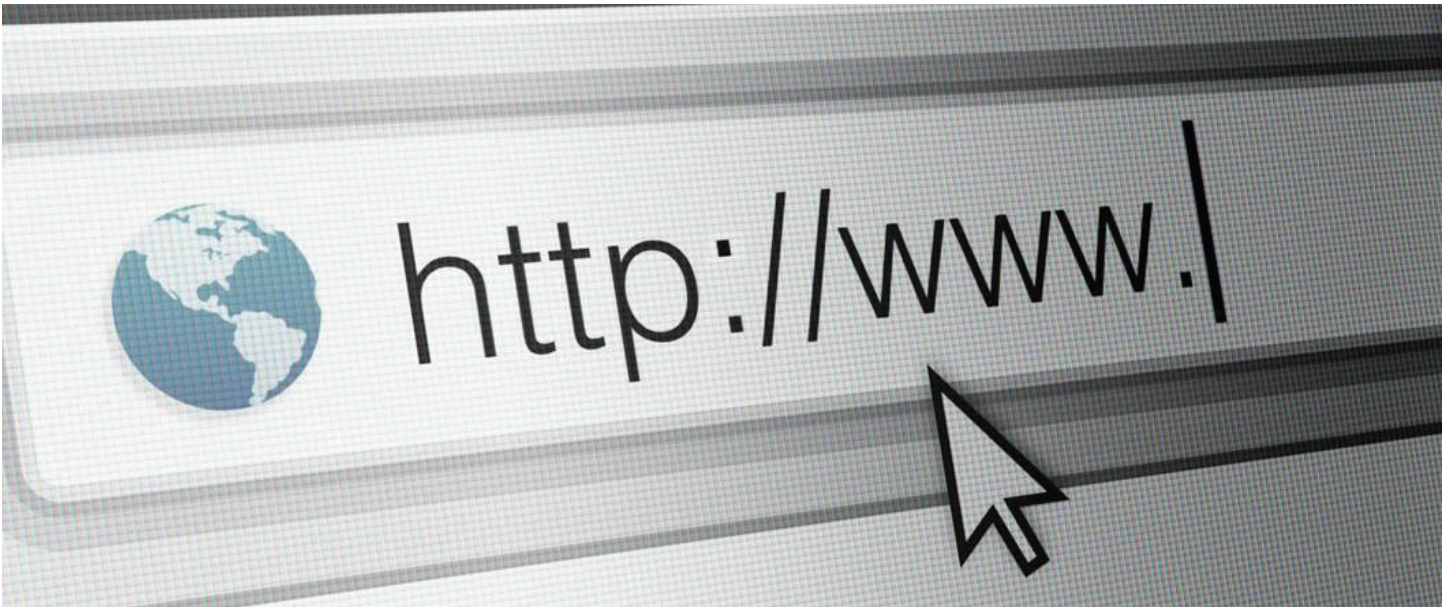
Studies show that 46 percent of adults will experience mental health illness or a substance abuse disorder at some point in their lifetime. An estimated 67 percent of adults with a behavioral health disorder do not get behavioral health treatment. The expansion of insurance coverage (parity) for mental health is shedding new light on the demand for the state's mental health workforce. In response to the need for more licensed mental healthcare workers across the state, the Division of Professions and Occupations streamlined equivalency reviews, enhanced assistance for the state jurisprudence exam, and improved interstate mobility of licensed professionals across four separate mental health professional licensing boards. The project began in

November 2015 and culminated in the promulgation of rules by the Board of Psychologist Examiners, the State Board of Social Work Examiners, the State Board of Marriage and Family Therapist Examiners and the State Board of Licensed Professional Counselors beginning in March 2016.

Reducing license processing time for pharmacy grads

As part of the Department's "industry stakeholder initiative," in October of 2015 the Division of Professions and Occupations met with a group of large employers and other industry stakeholders, including several large pharmacies, to hear their feedback regarding potential ways to improve its operations. Based on their feedback, the division instituted a pilot program to reduce the processing time for pharmacy graduates to obtain their first professional license, so they can enter the workforce faster. After initiating a Lean project, the processing time from the start through the receipt of the license was reduced by approximately 95 days. Going from 114 on average to just 18 days, an 84 percent reduction was achieved despite a 15 percent increase in new applications since fiscal year 2013. The changes are part of the division's larger licensing process improvement initiative.





Modernizing Systems

Enhanced online licensing applications

Efforts to move all applications online via DORA's e-License system ramped up in fiscal year 2015 for both the Division of Professions and Occupations and the Division of Real Estate.

Applying, managing and paying for a license to work in Colorado's booming real estate industry is more efficient after the July 2015 launch of the Division of Real Estate's e-License system. Approximately **56,000 licensed real estate industry professionals** in Colorado can use e-License to submit their applications online, update their accounts, renew or reinstate their license, and print their licenses on demand.

Also, in the Division of Professions and Occupations, customers can obtain automatic email receipts for licensing fees, receive email confirmations that applications were received, and when applicable, advised on next steps in the process.

Improvements by Division of Real Estate



Transfer processing time (when a licensed real estate professional changes companies) reduced from 3-5 business days to virtually immediate to 24 hours maximum.

Approximately 10,000 transfer and change applications are received by the division per year for real estate brokers. These transfers and changes can now be completed by the licensee at their convenience.

Consumers get instant information on licensees, such as disciplinary actions, and can use the system to file a complaint.

Licensing Volume

Department of Professions and Occupations

| | FY 14-15 | FY 15-16 |
|------------------------|----------|----------|
| New Licenses | 40,257 | 42,096 |
| License Renewals | 135,528 | 204,360 |
| License Reinstatements | 5,242 | 5,426 |



Adopting important telehealth technology guidelines

The Colorado Medical Board and the State Board of Pharmacy adopted guidelines last fall for the appropriate use of telehealth technologies in their respective practices. Colorado's efforts to incorporate telehealth technologies into medical practice has been favorably received locally and nationally. The Medical Board was recognized by the *Denver Business Journal* for its "forward looking approach" of telehealth technologies and for "rave reviews" from a Washington D.C.-based trade association that advocates for large businesses on issues involving healthcare and other workers' benefits.

Providing licensed healthcare professionals profiles online

The Division of Professions and Occupations provides consumer protection through the regulation of healthcare professions such as physicians, dentists, nurses, chiropractors and more. In addition, through the Healthcare Professions Profile Program (HPPP), information such as qualifications about licensed healthcare providers and any actions taken that may affect a practice is right at the public's fingertips. Information provided includes educational background, business interests, disciplinary actions, malpractice claims and criminal convictions.

The division integrated information from more than 225,000 profiles with its online e-License profiles this past fiscal year, improving access to licensing and provider information. The benefits are two-fold: Healthcare professionals are registered into the HPPP system, eliminating the need for licensees to update records in two different systems; and consumers have access to more information in a centralized location.

HPPP was created by the Michael Skolnik Medical Transparency Act of 2010 and expansion of the legislation in subsequent years. Continued improvements to HPPP are slated for fiscal year 2016-2017.

Between July 1, 2015 & June 30, 2016, healthcare professional profiles were accessed more than 148,000 times

Streamlining the online complaint process in the Division of Professions and Occupations

In July 2015, the division launched a streamlined online complaint system that enabled the division to save time, reduce data entry errors, prevent loss of information, ensure complete forms, and accelerate the creation of case files in the division's programs. With a few clicks, customers can now access their complaints and see case status updates in real time.





Colorado's regulatory approach praised nationally

White House report named Colorado as one of the top states for smart labor market regulation

A White House report released in August 2015 cited Colorado in the top 20 percent of states keeping burdens low for occupational licensing. The White House report detailed the national rise in occupational licensing and its consequences to the economy, and recommended a framework for policymakers on smart labor market regulation. DORA has already implemented many of the best practices recommended in the report to keep licensing requirements minimal while still protecting consumers.

Only 17.2 percent of the Colorado workforce is required to hold a state license to do their job, ranking the state as the ninth lowest for licensing prevalence among the states. The highest state is Iowa, requiring 33.3 percent. According to the report, the rate of occupational licensing has increased five-fold since the 1950s, reducing employment opportunities and increasing prices for consumers. Nationwide today, one-quarter of the workforce, on average, is required to hold a state license to perform their job.

Among its recommendations for policymakers, the report cites: "Vesting responsibility for supervising licensing laws and conducting

sunrise and sunset reviews in a single 'umbrella agency' can be a helpful way to simultaneously ensure adequate resources, efficiency, and sufficient analytical expertise."

Created in 1968, DORA reflects this model by housing nine distinct divisions under a single state regulatory department, including its Division of Professions and Occupations, which licenses more than 50 professions and over 440,000 Colorado licensees.

Colorado was also recognized for its sunrise and sunset process, a cost-benefit review of proposed and ongoing regulations performed by the Colorado Office of Policy, Research and Regulatory Reform (COPRRR). The report recommends Colorado's approach. In 1976, Colorado became the first state to implement a sunset process which was heralded on the front page of the *Wall Street Journal* as "a remarkable innovation in state government."

Colorado is one of only 10 states that have a sunrise and sunset process, and the process serves as an important tool for public engagement and discourse in the regulatory reform process.

COPRRR recently launched a variety of new initiatives to help consumers, business owners and professionals provide direct input to state government about the real impact of regulation.

More information available at the COPRRR website, dora.colorado.gov/opr

COPRRR initiatives strengthen public regulatory input

1

New Website

A new citizen-centric web presence, dora.colorado.gov/opr, was designed this year to help the public better understand the regulatory review process and ways they can participate. The website encourages visitors to interact with state agencies and government in a variety of different ways.

2

Soliciting Public Comment

Public understanding and input is critical to all of the sunrise and sunset reviews that COPRRR conducts. The office expanded its solicitation of public input through its new website for multiple pending Sunset and Sunrise reports. To provide input, visit the “Participate” tab on dora.colorado.gov/opr.

3

Whitepaper Initiative

COPRRR will issue white papers meant to clarify particular issues specific to the regulatory environment. These papers will be published and distributed to policy-makers across the State. For further information or to suggest a topic for a potential white paper, please contact COPRRR at DORA_OPR_website@state.co.us.

4

Citizen’s Guide

In an effort to further inform the public about Colorado agencies’ rulemaking and how they can get involved, DORA and COPRRR jointly published a “Citizen’s Guide to Rulemaking.” The guide is available online at dora.colorado.gov/opr. (Hard copies are also available at DORA’s Welcome Center, 1560 Broadway, Denver, CO 80202).

5

Encouraging Cost-Benefit Analysis Requests

When an agency proposes to amend an existing rule or to promulgate a new rule, that agency must submit the rule to COPRRR. COPRRR then sends a Regulatory Notice to registered stakeholders so that they can review the rule and request that a Cost-Benefit Analysis (CBA) be prepared. Anyone can sign up to receive “Regulatory Notices.” If you are a business owner and there is a rule change being proposed by an agency that could impact your business, request a CBA to ensure that the cost benefit of the rule has been analyzed.

Combating predatory practices

Predatory Practices Working Group

During the summer of 2015, the Executive Director's Office assembled representatives across all DORA divisions to establish a permanent working group to identify ways to combat particular predatory practices and better protect our state's most vulnerable populations. Fiscal year 2015-2016 outcomes included reinforced and more coordinated partnerships with law enforcement and new enforcement initiatives. In addition, the Department pursued a legislative bill to combat sex trafficking in massage therapy (detailed on page 22) and developed a new Department-wide outreach program for senior citizens.

When choosing or using a licensed professional, **DORA encourages consumers to verify licenses and check for disciplinary history.** Visit askDORA.colorado.gov and click "Verify a License."

Fighting Financial Fraud

Enforcing securities laws

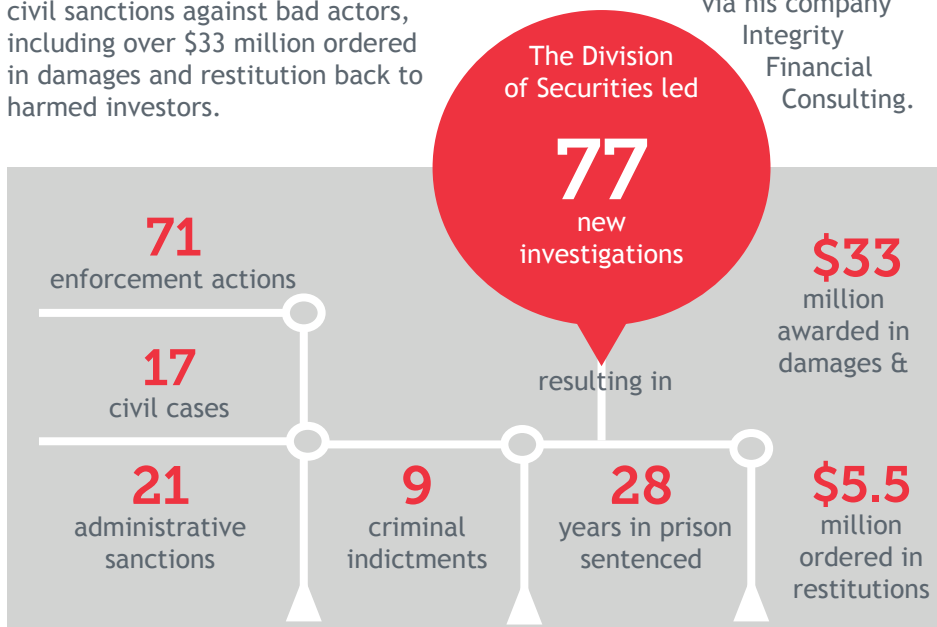
A top priority for the Division of Securities is to advance investor confidence in the securities markets through vigorous, fair and effective enforcement of Colorado's securities laws. During the fiscal year, the division brought 71 enforcement actions that resulted in criminal and civil sanctions against bad actors, including over \$33 million ordered in damages and restitution back to harmed investors.

Investment advisor sentenced to 28 years in prison for Ponzi scheme

During a routine examination, the Division of Securities staff discovered that licensed investment advisor, Perry Sawano, had been operating a Ponzi scheme via his company Integrity Financial Consulting.

Sawano would advise his clients to invest in various investment opportunities and then redirect money out of traditional investments into companies that he operated. These companies were nothing more than empty shells and produced no actual revenue. He then used investor monies to pay other investors and funded his own business and personal expenses.

Between 2007 and 2013, Sawano received nearly \$5 million by investors, most of which was used to pay back other investors, and the rest went toward his personal and business expenses. Throughout, Sawano led his clients to believe that their investments were in low risk, valid and successful investments. Sawano plead guilty to securities fraud in 2015 and received a sentence of 28 years in prison — one year for each of his known victims — and was also ordered to pay over \$4.4 million in restitution.



DORA investigation uncovers \$16 million in securities fraud targeting elderly investors

Following an investigation by the Division of Securities, Kelly Schnorenberg, who owned and operated KJS Marketing, was criminally indicted with 37 counts of securities fraud. He allegedly sold more than \$16 million in securities from 249 known investors over a six-year period.

The indictment alleged that Schnorenberg solicited investors to invest in various start-up insurance businesses, which were supposed to sell insurance products. Schnorenberg utilized experienced insurance agents to solicit investors, many who were elderly. When an insurance company failed, Schnorenberg would set up a new insurance business and roll previous investments into the new insurance company. Investors were promised high returns on the profits from these companies, with little to no risk. The vast majority of investor funds intended to be paid to the insurance companies went directly to Schnorenberg personally, his mother, and his long-time girlfriend.

DORA financial divisions expand outreach to seniors citizens

Senior fraud is a serious issue affecting the elderly and their families in all regions of the state. Nationally, more than 40 million U.S. investors are victimized each year. Many are over age 65, a population that is growing by 10,000 people every day. Billions of dollars are lost every year, and for those who are already retired, these losses are nearly impossible to recoup. Even more problematic is the issue of reporting. Financial fraud is one of the most underreported crimes in the country, with an estimated one out of 40 cases actually making it to law enforcement or regulators.

In the Division of Securities, of its 24 total criminal, civil and administrative cases, 17 involved senior victims. That is why the division created the \$ecureColorado program, which aims to educate seniors, caregivers, adult family members, and industry about the risk factors and warning signs of elder financial abuse and exploitation. In fiscal year 2015-2016, the program conducted 18 seminars, trainings, and resource fairs. Highlights included the 2015 Investor Fraud Summit and the 2015 Securities Industry Symposium, which was a collaborative effort with the Securities and Exchange Commission and American Association of Retired Persons. Additional events are planned for the coming year.

The division also partnered with other DORA divisions, including the Division of Banking and Division of Financial Services, to launch its new "Senior\$afe" program on World Elder Abuse Awareness Day (June 15, 2016). To reach licensed financial professionals that seniors come into contact with every day, such as bank tellers, investment advisers and brokers who are on the front lines working directly with the senior population.

Senior\$afe provides training on identifying red flags of abuse and exploitation and presents a "no wrong door" approach to industry members for reporting these issues. The training provides access to information on how to report to Adult Protective Services, financial industry regulators, law enforcement, and community organizations to ensure that whenever potential abuse is witnessed it is reported, and furthermore, that the report makes it to the correct agency to take action.

To request a presentation, call 303-894-2878.

Senior fraud is a growing issue

Senior population grows by



10,000
people every day



It's estimated that only

1 in 40

cases of financial fraud make it to law enforcement/regulators



Over **40**
Million

U.S. investors are victimized each year

Taking Action

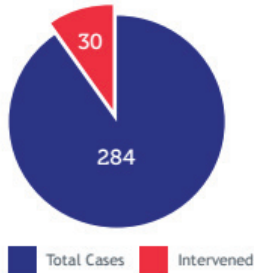
Advocating on behalf of utility consumers and small businesses

The Office of Consumer Counsel helps consumers by advocating for lower utility rates in rate increase requests submitted by investor-owned utility companies operating

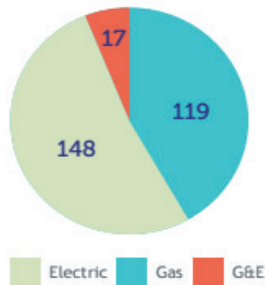
in Colorado to the Public Utilities Commission. It also advocates that utility rates, regulations and policies remain equitable for residential, small business and agricultural

consumers and works to ensure continuing reliability of utility services and consistent quality of service. To do this, staff must examine technical evidence filed by expert testimony, cross-examine witnesses, make legal arguments and represent consumers in settlement negotiations. The Office of Consumer Counsel staff participates in these hearings and reviews, researches and provides testimony presenting its position throughout the hearing process. In fiscal year 2015-2016, 39 percent of rate increases were avoided due to Office of Consumer Counsel involvement.

FY 2016 Total Cases Reviewed vs. Cases Intervened



FY 2016 Cases Reviewed by Type of Utility



Investigating employment discrimination

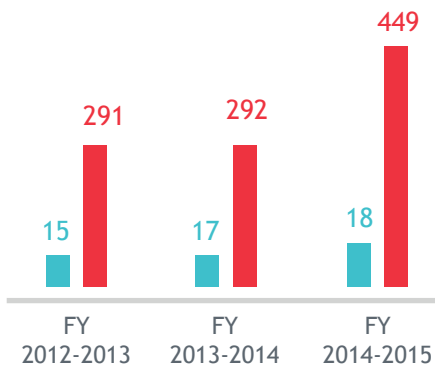
Working in partnership with the U.S. Equal Employment Opportunity Commission (EEOC), the Colorado Civil Rights Division was involved with the successful investigation, prosecution and \$1 million settlement – the largest settlement of its kind in Colorado history – of a Vail condominium complex and its management company as part of a sexual harassment, national origin discrimination and retaliation lawsuit brought by the EEOC on behalf of female employees of the complex.

The EEOC charged that Vail Run Resort violated federal law by allowing a housekeeping manager to continually sexually harass female employees of Mexican descent, including attempted rape and retaliation. Victims had initially sought assistance from the Colorado Civil Rights Division, which conducted the initial investigation and made an administrative finding in favor of the two victims that had come forward. However, when it was determined that there were additional victims, the case was transferred to EEOC, which did further investigation and ultimately filed a lawsuit, which was settled in February 2016.

Probable cause findings concerning employment discrimination

When a formal complaint is filed with the Colorado Division of Civil Rights alleging discrimination, the division investigative staff conducts a neutral investigation. After the investigation, the Division Director makes a determination as to whether there is sufficient evidence to support a finding of probable cause that discrimination has occurred. The chart below provides statistics concerning the number of probable cause

determinations issued by the Director concerning employment discrimination.





Expanding resources to reduce prescription drug misuse and abuse

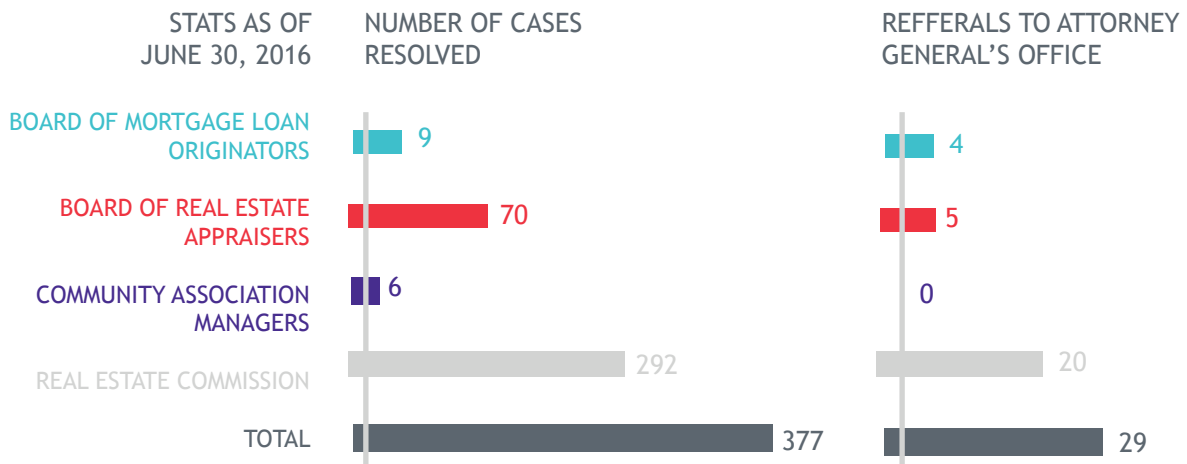
The abuse of controlled substances is a serious health problem nationally and in Colorado. In the past year, DORA assisted in improving the utilization of an online system that allows pharmacies to upload prescription data for controlled medicine that are dispensed to Colorado patients, called the Colorado Prescription Drug Monitoring Program (PDMP). Between June 2015 and June 2016, PDMP utilization increased from 15 percent of prescribers and dispensers accessing the system to look up a patient before prescribing or dispensing controlled substance prescriptions to 23 percent. Additionally, the Department launched a dedicated PDMP web presence: colorado.gov/dora/pdmp. The site provides both consumers and healthcare professionals with the tools they need to access PDMP information, drug misuse and abuse resources, and up-to-date news and resources.

Division of Real Estate investigates community association manager diverting HOA funds

The Division of Real Estate’s goal is to ensure that community association managers are properly licensed and competent to safeguard the moneys of Colorado homeowners choosing to live in a neighborhood governed by a Homeowners Association (HOA). In December 2015, the division launched an investigation after it received complaints alleging that community association manager, David W. Martin, was diverting HOA funds not belonging to him for his personal benefit. Martin voluntarily surrendered his community association manager license after the division’s investigation found that a management agreement with an HOA was executed, Martin would allegedly add his name as a signor on the signature card of the HOA’s operating account without the knowledge of the HOA. He would then write unauthorized checks that could be cashed by his own company. Martin allegedly attempted to cover-up the theft by providing board members with altered bank and financial statements to conceal the missing money.

Division of Real Estate enforcement activities

The division’s Expedited Settlement Program resolved 377 cases (92%). Of those cases, 324 (86%) were resolved in less than 60 days. Through this program, the division saved \$339,300 in legal services by preempting litigation. Currently, 29 cases are pending resolution in the Office of the Attorney General.



Massage therapy bill aimed at fighting human trafficking

The passage of the Massage Therapy Practice Act (House Bill 16-1320), a DORA agenda bill sponsored by Reps. Mike Foote and Terri Carver and Sen. John Cooke, allows regulators to better complement the efforts of law enforcement in addressing the growing scourge of sex trafficking in our state.

By closing regulatory loopholes, criminals cannot hide behind a legitimate license to escape criminal conviction, a problem the Division of Professions and Occupations had witnessed more than 30 times in the past two years in massage therapy cases.

Loopholes in previous regulations allowed traffickers to aid and abet unlicensed practice without penalty. Owners of businesses implicated in human trafficking typically had a number of unlicensed individuals being forced to provide massage services to customers. Law enforcement before the bill's passage could only arrest the person providing unlicensed services. Typically, this was the victim of sex trafficking, and not the perpetrator of the trafficking scheme. The new mandate allows for the arrest of a trafficker for forcing unlicensed practice.

The new regulations also updated statute to address provisions tied to the standard of care in massage, addressing sexual behavior, the licensure of applicants with minor criminal records linked to prostitution and trafficking, and the proliferation of "foot spas," which often were fronts for prostitution businesses that traffic workers.

Among the changes spurred by the bill's passage are:

- The addition of an 18-year age requirement for licensure;
- Expansion of criminal penalties to those facilitating unauthorized practice and allowing for the fining of those aiding and abetting in unlicensed practice;
- Clarification of local government authority to inspect massage businesses upon complaint of illegal activity;
- Specification of practices employing touch that aren't massage therapy;
- Implementation of a good moral character standard, consistent with other licensing programs; and
- Clarification of grounds for discipline to reduce loopholes for inappropriate and unprofessional conduct.

"The state's massage therapy laws were put in place to protect the public. House Bill 16-1320 closes gaps that will protect the consumer, the victims of trafficking, and the profession by specifically targeting criminal behavior," said DORA Executive Director Joe Neguse.

2014-2016



Statewide, law enforcement and regulators see an increase in the number of prostitution and human trafficking offenses linked to massage therapy.

2014-2016



The division handles more than 30 cases of suspected prostitution or human trafficking.





“Strong regulations for massage therapy businesses will help give us the tools we need to effectively address illegal activities involving individuals and businesses that are operating criminally,” said Daniel Brennan with the Colorado Association of Chiefs of Police.

2015



The division identifies statutory loopholes involving licensing in massage therapy.

Aug. 2015



The division solicits feedback from the Association of Chiefs of Police and the Colorado Municipal League.

Fall 2016



The division publishes listings of injunctions to date for unlicensed practice of massage therapy and “certification of no license” on its website.

Winter 2016



The division works with legislative sponsors to draft a bi-partisan bill.

Jun. 2016



House Bill 16-1320 is passed by the General Assembly and signed into law by Governor Hickenlooper.

Jul. 2016



In coordination with the FBI, the division presented a roadmap to state law enforcement of the Colorado Trafficking and Organized Crime Coalition to improve interagency collaboration and better align enforcement actions.

DORA in the Community



Educating employers on Colorado anti-discrimination laws

The Colorado Civil Rights Division conducted an “introduction to employment anti-discrimination laws” through a webinar series that provides the Colorado business community and the general public with information on topics such as pregnancy discrimination and transgender discrimination. The division also conducted training and outreach events in Alamosa, Aurora, Canon City, Colorado Springs, Cortez, Durango, Estes Park, Fort Collins, Grand Junction, Greeley, Jefferson County, La Junta, La Veta, Lamar, Longmont, Pueblo, Salida, Trinidad, Walsenburg, and Weld County. This was in addition to the monthly educational training in anti-discrimination in employment and fair housing that is provided in Denver.

Issuing end-of-year consumer advisories

DORA divisions compiled a list of its top year-end consumer topics to encourage the public to take just five minutes to avoid some common holiday-season pitfalls. Topics included how to verify a professional license; tips on understanding the liability of drones – a top gift item that season; how to avoid year-end charity and new chip card schemes; and checking your HOA rules on putting up and taking down holiday lights. DORA issued the series of advisories through the holidays and the beginning of 2016.

Reaching AARP members

The Colorado chapter of the AARP is one of DORA’s key outreach partners, as the chapter provides important information not only for its membership of adults over 50, but also to their families and caregivers.

Several DORA divisions presented six webinars filmed and broadcast from the AARP Colorado studio covering a variety of topics, such as livable communities for seniors, financial literacy, and information about the Affordable Care Act and Medicare.

In addition to the webinars, the Office of Consumer Counsel traveled with AARP representatives to Pueblo, Englewood and Fort Collins to speak to members directly about the division’s work on behalf of residential utility rate payers. And in March 2016, the AARP Foundation’s ElderWatch program joined DORA division representatives at its consumer protection open house for National Consumer Protection Week.

Encouraging consumers to “Take 5 to Get Wise”

A well-informed consumer is less likely to become a victim. That is the theme of DORA’s “Take 5 to Get Wise” consumer campaign. DORA launched the second year of its Take 5 campaign during National Consumer Protection Week in March 2016. The goal of the campaign is to show consumers that taking five minutes to do research up front could help save time, money and prevent problems later. DORA kicked off the campaign with a consumer protection open house where several local fraud-fighting partners – DORA, Stop Fraud Colorado from the Colorado Attorney General’s Office, the AARP Foundation’s ElderWatch program, and the Better Business Bureau of Denver/ Boulder – joined together to offer presentations to the public.

Introducing DORA’s wise owl

As part of the Take 5 campaign, DORA created a new user-friendly web presence, askDORA.colorado.gov, to host consumer information and provide partner resources. At the askDORA website, you’ll meet DORA’s new wise owl, reminding you of the many ways to “get wise” about protecting yourself, and if you have questions to “Ask DORA.”



Proclaiming April as “Financial Literacy Month”

Colorado recognized April 2016 as Financial Literacy Month. The initiative was designed to increase awareness among consumers about the importance of making informed decisions at all ages – from basic saving methods, credit and debt management, to retirement planning. DORA also recognized Retirement Planning Week and Money Smart Week within April by holding local events to reach youths, adults, and seniors, and getting information out through social media and local news segments.

Improving “Health Insurance Literacy” for consumers

In conjunction with the Colorado Health Foundation, the Department of Health Care Policy & Finance, Connect for Health Colorado, the Colorado Consumer Health Initiative and other groups, the Division of Insurance worked on the creation of a Health Insurance Literacy program. Each organization now uses a series of coordinated themes and standardized language to improve consistency in how health insurance information is shared with the public.

Improving Customer Service



Securities examination cycle time decreased by nearly 400%

The Division of Securities implemented a Lean project in 2016 with the goal of decreasing the average examination cycle time from 230 days to 90 days. By implementing standard examination processes and communication forms, the division was able to reduce the exam cycle time to less than 60 days on average. Nearly half of the exams completed since the project have been closed in under 30 days.



New DORA Welcome Center improves customer experience

DORA opened an all-new Welcome Center in the lobby of its headquarters at 1560 Broadway in Denver. The Welcome Center serves as a one-stop-shop for customers to receive assistance regarding their license applications and renewals for several DORA divisions, such as Professions and Occupations, Real Estate and Insurance, and to receive visitors to those divisions and the Executive Director's Office.

Public Utilities Commission nets consumer savings

The Public Utilities Commission's External Affairs section secured \$101,115 in credits and refunds on behalf of utility customers during the fiscal year 2015-16, according to the section's annual consumer assistance summary. The section works to resolve disputes between customers and utilities, including transportation companies.

Consumer concerns addressed and resolved

The Consumer Assistance unit fielded 6,066 calls, a decrease from 6,999 calls in the previous fiscal year. More than half of the calls were resolved or answered by staff without the need to refer them to a utility or a transportation company. In all, consumer assistance staff addressed inquiries regarding 245 different telecommunications, gas, electric, water and transportation companies in its efforts to resolve a wide variety of consumer concerns.

The unit addressed 2,221 inquiries and closed 2,266 for the fiscal year; compared to 2,302 inquiries and 2,270 closed the prior fiscal year. The unit resolved 99 percent of inquiries within 15 business days. For the most recent fiscal year, the

closed 586 complaints related to Xcel Energy (Public Service Company), a slight increase compared to 560 contacts during the previous fiscal year.

The complete 2015-16 Consumer Assistance Summary is available at dora.colorado.gov/puc under the Consumer section.

Colorado Public Utilities Commission

Savings to Retail Rate Payers

| INDUSTRY | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|----------|---------------|---------------|---------------|---------------|--------------|
| ENERGY | \$121,441,558 | \$113,326,165 | \$117,535,165 | \$115,770,288 | \$21,351,379 |
| TELECOMM | \$20,392,642 | \$20,302,642 | \$18,742,737 | \$27,614,657 | \$22,620,630 |
| TOTALS | \$141,744,200 | \$133,628,807 | \$136,277,902 | \$143,384,945 | \$43,972,009 |



Division of Insurance streamlined operations with “One DOI”



“One DOI” has been a multi-phase reorganization and process improvement project for the Division of Insurance. Begun in fiscal year 2014-15 and fully implemented in fiscal year 2015-16, One DOI was initially born out of new responsibilities that arose from the Affordable Care Act (ACA).

These changes in the insurance market, along with new legislation, made it an ideal time to examine the the division’s alignment of resources, processes and technology to chart a fresh course forward. The goals were to streamline operations while providing the flexibility to balance workloads and ensure that the division had both the appropriate expertise and the ability to transfer that knowledge within the division as future changes come along.

All sections of the division engaged in meetings, workshops and process improvement discussions throughout the year

“One DOI” was designed to improve workflow, efficiency and responsiveness.

As a result of “One DOI,” the division aligned with the consumer services sections, to better identify trends in the complaints received from consumers, so they can be properly evaluated. The project allowed the division to establish a new mission: Promote compliance and enforce laws to help protect consumers.

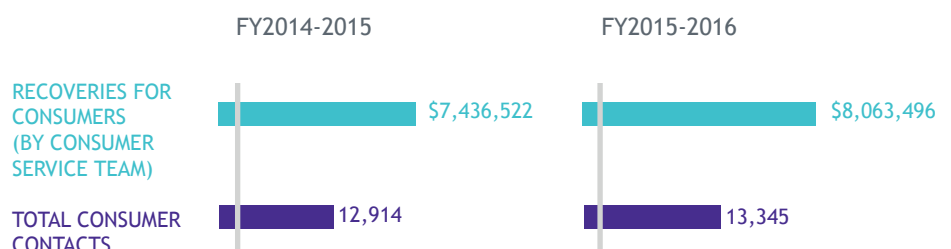
The One DOI evolution improves the division’s commitment to its customers and helps it be more effective, efficient and elegant.

DOI saving customers time and money

DOI’s Consumer Services team wanted to find a better approach to receiving consumer feedback than the survey postcards they were using. They used a Lean process to tackle the problem, meaning the team focused on improving and streamlining processes, looked for opportunities for engagement, and explored how to enhance every consumer’s experience. By approaching the problem this way, the team realized that instead of finding a better way to receive feedback, the real challenge was finding a way to improve the actual consumer experience.

After reaching out to past consumers, the team identified a pattern of dissatisfaction linked to a lack of communication. The system focused on getting a response from an insurance company, but often did not include communication with the consumer until the process concluded. A new process would have to focus on educating the consumer as well as resolving the complaint.

Recovery for Consumers





facebook.com/DORAColorado



[@DORAColorado](https://twitter.com/DORAColorado)



[Colorado Department of Regulatory Agencies](https://www.linkedin.com/company/colorado-department-of-regulatory-agencies)

Colorado Department of Regulatory Agencies | 1560 Broadway, Suite 110, Denver, CO 80202 | 303-894-7855 or 1-800-886-7675



COLORADO
Department of
Regulatory Agencies