



**COLORADO**  
**Division of Reclamation,**  
**Mining and Safety**  
Department of Natural Resources

June 18, 2026

Kerri L. Hunter, CPA, CFE  
State Auditor  
Colorado Office of the State Auditor  
1375 Sherman St., 5th Floor  
Denver, CO 80261

Dear Auditor Hunter:

In response to your request, we have prepared the attached status report on the implementation status of audit recommendations contained in the Mine Subsidence Protection Program performance audit. The report provides a brief explanation of the actions taken by the Division of Reclamation, Mining, and Safety at the Department of Natural Resources to implement each recommendation.

The Division of Reclamation, Mining and Safety would like to thank the Office of the State Auditor for the opportunity to address the provided recommendations. This collaborative process serves to reinforce the Mine Subsidence Protection Program, which performs the critical function of safeguarding homeowners against the geological hazards associated with historical underground coal mining operations.

If you have any questions about this status report and the Division's efforts to implement the audit recommendations, please contact me at [michaela.cunningham@state.co.us](mailto:michaela.cunningham@state.co.us).

Sincerely,

Michael Cunningham  
Division Director



## Audit Recommendation Status Report

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|-------------------------------|------------------------------------------------------|
| <b>Audit Name:</b>            | Mine Subsidence Protection Program performance audit |
| <b>Audit Number:</b>          | 2456P                                                |
| <b>Agency:</b>                | Department of Natural Resources                      |
| <b>Date of Status Report:</b> | June 19, 2026                                        |

| Section I: Summary |                            |                              |                               |                             |
|--------------------|----------------------------|------------------------------|-------------------------------|-----------------------------|
| Rec. Number        | Response from Audit Report | Original Implementation Date | Current Implementation Status | Current Implementation Date |
| 1A                 | Agree                      | December 2025                | Implemented                   | April 2026                  |
| 1B                 | Agree                      | June 2026                    | Partially Implemented         | December 2027               |
| 1C                 | Agree                      | June 2026                    | Partially Implemented         | August 2026                 |
| 2A                 | Agree                      | June 2026                    | Partially Implemented         | December 2027               |
| 2B                 | Agree                      | December 2025                | Partially Implemented         | December 2026               |
| 2C                 | Agree                      | December 2026                | Not Implemented               | March 2027                  |
| 2D                 | Agree                      | December 2026                | Not Implemented               | October 2027                |

## Section II: Narrative Detail

### Recommendation 1A

The Department of Natural Resources should ensure that the Mine Subsidence Protection Program's (Program) federal grant agreement and program rules are up-to-date and reflect the controls it intends to use for the Program, and that it complies with program requirements by: Working with the federal Office of Surface Mining Reclamation and Enforcement to renew the Program's grant and Memorandum of Understanding (MOU). This should include updating the MOU's Plan of Operations to ensure that it aligns with program rules and practices.

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| <b>Current Implementation Status</b> | Implemented                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Current Implementation Date</b>   | April 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Status Update Narrative</b>       | <p>The Division of Reclamation, Mining and Safety (DRMS) has addressed the audit finding concerning the renewal of the federal Office of Surface Mining Reclamation and Enforcement (OSMRE) Memorandum of Understanding (MOU). After consultation with federal legal counsel, OSMRE determined that a formal MOU renewal is <b>not required</b> at this time due to newly adopted federal regulations. This matter was instead addressed through an official letter of confirmation, which preserves existing funding commitments and maintains program stability without further administrative requirements.</p> <p>On <b>April 29, 2026</b>, OSMRE officially delivered the finalized documentation/letter to Colorado DRMS. An update to the MOU's Plan of Operations was determined to be unnecessary, since OSMRE determined that a formal MOU is not required. The Program will continue operations and maintain compliance through standard annual financial reporting to OSMRE and will return funds to OSMRE if the trustees determine they are not needed for their original purposes.</p> <p>On December 17, 2025, DRMS presented a status update to the Mined Land Reclamation Board (MLRB) regarding Recommendation 1A. And on June 17, 2026, DRMS presented the final resolution and the April 29, 2026, OSMRE-finalized letter regarding the MOU to the MLRB.</p> |

### Recommendation 1B

The Department of Natural Resources should ensure that the Mine Subsidence Protection Program's (Program) federal grant agreement and program rules are up-to-date and reflect the controls it intends to use for the Program, and that it complies with program requirements by: Performing a review of Program rules to ensure that they align with current practices and working with the Mined Land Reclamation Board to update Program rules, as needed.

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| <b>Current Implementation Status</b> | Partially Implemented |
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| Recommendation 1B           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| Current Implementation Date | December 2027                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Status Update Narrative     | <p>DRMS conducted a comprehensive internal review and established a reconciliation matrix to determine the alignment between existing Program practices, the Plan of Operations, and Rule 8 requirements. Rule 8 includes all applicable MSPP rules.</p> <p>The following two discrepancies between the Plan of Operations and Rule 8 were identified during the internal review. In these cases, the Program has always operated under Rule 8, and not the Plan of Operations. Therefore, Rulemaking in these instances is unnecessary.</p> <ul style="list-style-type: none"> <li>• <b>Eligibility &amp; Claim Limits:</b> The Plan of Operations restricts coverage to 1-to-4 family units with a \$50,000 maximum, whereas Rule 8 permits up to 10 units and a \$100,000 cap.</li> <li>• <b>Subsidizing Pre-enrollment Inspections:</b> The Plan of Operations states that the cost of the enrollment inspection will be borne by the applicant (homeowner), whereas (2002-modified) Rule 8.02.2 allows the Program/Trustees to subsidize/defray the cost of the enrollment inspection for the homeowner by paying the difference between \$200 and the fee charged by the Program's inspection firm.</li> </ul> <p>These are the only two discrepancies between Rule 8 and current practices that require Rulemaking:</p> <ul style="list-style-type: none"> <li>• <b>Operational Variance:</b> MSPP currently waives the 90-day notification period to account for gradual subsidence. This requires modification of Rule 8.04.1.</li> <li>• <b>Uncodified Procedure:</b> MSPP currently submits payment(s) for damage repair(s) directly to either repair contractors or to the Program participant (homeowner). This requires modification of Rule 8.04.3 which states that benefit payment shall be made to the participant.</li> </ul> <p>Management has also realigned with Rule 2CCR 407-2, Appendix A Section 5.07 to formalize reporting schedules for the MLRB and OSMRE (which is also required by the April 29, 2026 OSMRE MOU letter). Quarterly MSPP status and financial reporting to the MLRB and annual status and financial reporting to OSMRE have resumed and will be consistently maintained going forward.</p> <p>Finally, any additional modifications to Program operations, as a result of future actuarial study findings or new procedures will be</p> |

**Recommendation 1B**

addressed through the Rulemaking process under OSA Recommendations 2C and/or 2D, following the completion of all other audit recommendations.

On October 15, 2025, DRMS provided the MLRB with a foundational overview of the Program and summarized the State Auditor's recommendations. Then, on November 12, 2025, DRMS delivered an educational briefing to the MLRB featuring a detailed analysis of enrollment and financial data from 2015 through 2024.

**Recommendation 1C**

The Department of Natural Resources should ensure that the Mine Subsidence Protection Program's (Program) federal grant agreement and program rules are up-to-date and reflect the controls it intends to use for the Program, and that it complies with program requirements by: Establishing written operational procedures for the Program.

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| <b>Current Implementation Status</b> | Partially Implemented |
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| <b>Current Implementation Date</b> | August 2026 |
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| <b>Status Update Narrative</b> | The Mine Subsidence Protection Program (MSPP) Administrator and the East Slope Senior Project Manager are partnering with Government Performance Solutions, Inc. to develop formal Standard Operating Procedures (SOPs) for the Program that replace the Plan of Operations and align with the existing rules. This operational initiative is approximately 80% complete. |
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**Recommendation 2A**

The Department of Natural Resources should ensure that the Mine Subsidence Protection Program (Program) within the Division of Reclamation, Mining, and Safety (DRMS) is providing protection against the risk of mine subsidence; is able to increase participation; and ensures the sustainability of the Colorado Coal Mine Subsidence Trust Fund by: Evaluating the current risk of mine subsidence in the state and the likelihood of qualifying claims being filed by participants. This should include a review of the ongoing likelihood of mine subsidence occurring in areas with homes that are currently eligible for the Program, as well as in areas with homes built in 1989 and later and with commercial properties that are currently ineligible, to better understand the potential market for coverage in the state.

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| <b>Current Implementation Status</b> | Partially Implemented |
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| <b>Current Implementation Date</b> | December 2027 |
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| <b>Status Update Narrative</b> | DRMS has initiated a multi-phased procurement strategy to obtain a cost-efficient actuarial analysis for the Mine Subsidence Protection Program (MSPP) while adhering to stringent fiscal limitations: |
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## Recommendation 2A

- **Assessment & Cost Projection:** During the Spring of 2026, the Program Administrator consulted with Aon, an actuarial firm, to outline a general scope of work for an actuarial study and obtain a cost estimate for that work. Aon provided a modified scope of work with a cost estimate.
- **Negotiated Scope:** The revised scope prioritizes trust fund solvency, market participation analysis through stakeholder engagement, and the evaluation of administrative fee structures.
- **Next Steps:** While the final Aon proposal refined and narrowed the scope of work and reduced the estimated cost, DRMS and the MSPP Administrator will continue to explore more economical alternatives to satisfy Recommendation 2A. These efforts include the potential issuance of a Request for Proposal (RFP) to other firms or identifying less costly data processing solutions. All final recommendations will be submitted to the MLRB for formal approval.

## Recommendation 2B

The Department of Natural Resources should ensure that the Mine Subsidence Protection Program (Program) within the Division of Reclamation, Mining, and Safety (DRMS) is providing protection against the risk of mine subsidence; is able to increase participation; and ensures the sustainability of the Colorado Coal Mine Subsidence Trust Fund by: Reviewing the Program's use of contractors to conduct home inspections. This should include evaluating the potential to reduce costs by using contractors with less technical expertise to perform enrollment inspections and establishing guidance regarding the maximum amount that should be spent on inspections, considering the type of inspection and its purpose.

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| <b>Current Implementation Status</b> | Partially Implemented                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Current Implementation Date</b>   | December 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Status Update Narrative</b>       | <p>DRMS initiated steps to address Recommendation 2B and the Mine Subsidence Protection Program (MSPP) administrator has coordinated with its inspections contractor, Tetra Tech, to restructure the home inspection framework.</p> <ul style="list-style-type: none"><li>● <b>Tiered Inspection Framework:</b> The Program has successfully implemented a tiered approach to inspections for both new enrollments and active claims. This tiered system ensures that the level of technical expertise and resources deployed matches the specific scope and complexity of the inspection, directly addressing the audit's intent to optimize contractor utilization.</li></ul> |

### Status Update Narrative

- **Tiered Inspection Framework:** The Program has successfully implemented a tiered approach to inspections for both new enrollments and active claims. This tiered system ensures that the level of technical expertise and resources deployed matches the specific scope and complexity of the inspection, directly addressing the audit's intent to optimize contractor utilization.

### Recommendation 2B

- **Internal Shift of Administrative Duties:** To further drive programmatic cost savings, the MSPP administrator has shifted reporting responsibilities internally. The vast majority of report writing and data compilation is now performed by the Program Administrator rather than the contractor.
- **Next Steps** Building on these initial programmatic savings, the MSPP Administrator will initiate a Request for Proposal (RFP) to solicit less technical, home inspection companies, to complete the basic enrollment inspections and will monitor the quality of the deliverables against the current deliverables provided by Tetra Tech to determine if this cost saving opportunity is a viable one.

On December 17, 2025, DRMS provided a presentation to the MLRB which included a status update of Recommendation 2B as listed above.

### Recommendation 2C

The Department of Natural Resources should ensure that the Mine Subsidence Protection Program (Program) within the Division of Reclamation, Mining, and Safety (DRMS) is providing protection against the risk of mine subsidence; is able to increase participation; and ensures the sustainability of the Colorado Coal Mine Subsidence Trust Fund by: Using the information collected in parts A and B, assess the overall structure and operation of the Program and consider changes to increase participation, maximize the benefits it provides relative to administrative costs, and ensure its sustainability. This could include evaluating expanded eligibility followed by a reassessment of the viability of the Program providing coverage through private insurers, changing inspection requirements, and making changes to its fee structure.

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| <b>Current Implementation Status</b> | Not Implemented |
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| <b>Current Implementation Date</b> | March 2027 |
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| <b>Status Update Narrative</b> | Recommendation 2C requires data resulting from the completion of 2A and 2B, and will be completed in order. |
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### Recommendation 2D

The Department of Natural Resources should ensure that the Mine Subsidence Protection Program (Program) within the Division of Reclamation, Mining, and Safety (DRMS) is providing protection against the risk of mine subsidence; is able to increase participation; and ensures the sustainability of the Colorado Coal Mine Subsidence Trust Fund by: Based on the information obtained through Parts A, B, and C, implement any necessary program changes and work with the Mined Land Reclamation Board, the U.S. Department of the Interior's Office of Surface Mining Reclamation and Enforcement, and General Assembly to change program rules, grant requirements, and statutes, as needed.

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| <b>Current Implementation Status</b> | Not Implemented |
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| <b>Current Implementation Date</b> | October 2027                                                                                                     |
| <b>Status Update Narrative</b>     | Recommendation 2D requires data resulting from the completion of 2A, 2B, and 2C, and will be completed in order. |