

**COLORADO
OFFICE OF THE
STATE AUDITOR**

**ANNUAL REPORT
FISCAL YEAR 2000**

**LEGISLATIVE AUDIT COMMITTEE
2000 MEMBERS**

Representative Jack Taylor
Chairman

Representative Carl Miller
Vice-Chairman

Senator Norma Anderson
Senator Doug Lamborn
Senator Doug Linkhart
Senator Peggy Reeves
Representative Sue Windels
Representative Brad Young

J. David Barba
State Auditor

Role of State Auditor

The Legislative Audit Committee (LAC) is the oversight body of the Office of the State Auditor (OSA). It is a standing committee of four senators and four representatives with equal representation from the two major political parties. The LAC reviews and releases audit reports, proposes special studies, and makes a recommendation to the General Assembly every five years regarding the State Auditor's appointment.

The OSA is a constitutionally created agency that was formed to provide information to the General Assembly and the citizens of Colorado.

It shall be the duty of the State Auditor to conduct postaudits of all financial transactions and accounts kept by or for all departments, offices, agencies, and institutions of the state government... and to perform related duties with respect to such political subdivisions of the state as shall be required... by law.
Colorado Constitution

In Fiscal Year 2000 the OSA completed 71 audits, including:

- Statewide Single and Financial Audit. This audit ensures the accuracy, fairness, and reliability of the State's financial statements. The Statewide Audit team also audits the Schedule of Computations required under Article X, Section 20 of the Colorado Constitution (TABOR).
- Thirty-five financial/compliance audits or reviews. These audits provide a more detailed review of the financial activities and management practices of the State. These audits are conducted by OSA staff and by private CPA firms through contracts.
- Thirty-five performance audits. These audits recommend improvements to various state-administered operations and track the implementation of prior audit recommendations. A complete listing of the audit reports released in Fiscal Year 2000 can be found on pages 5-8 of this report.

Additionally, the OSA's Local Government Audit Section reviews financial audits from local governments and produces studies of government debt in Colorado.

Office of the State Auditor's Mission

To promote accountability and improve the operation of government by reducing the cost of government, improving the quality of government services, and eliminating unnecessary government functions.

OSA Mission

The OSA works to meet its mission by:

- Conducting audits of state agencies and institutions of higher education.
- Responding to the needs of the General Assembly and the Legislative Audit Committee.
- Striving for cooperative, collaborative relationships with audited agencies, other governmental entities, and private agencies.
- Emphasizing objectivity and independence, while avoiding partisanship, preconceived conclusions, and presumptions of fact.
- Adhering to the highest professional standards.

Commitment to Improved Performance

The OSA works to strengthen its standard of high quality by:

- Conducting follow-up reviews on its audits to track proposed and enacted legislation and to assess the implementation status of past recommendations.
- Performing yearly internal peer reviews of its audits to ensure that audit work complies with generally accepted government auditing standards.
- Contracting for external peer reviews once every three years. The OSA received an unqualified opinion on its 2000 external peer review, indicating that the OSA met the objectives set forth in the Quality Control Peer Review Guidelines and complied with generally accepted government auditing standards promulgated by the U.S. General Accounting Office. The next review will be conducted in 2003.

Performance Outcomes

In Fiscal Year 2000, the OSA identified three goals. The goals have been met as follows:

GOAL ONE:

Provide Value Through Recommendations That Assist Agencies In Resolving Management Problems

Measure A: Recommendations Accepted by Audited Agencies

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
GOAL	75%	85%	88%	90%	90%
ACTUAL	88%	88%	88%	81%	N/A

Measure B: Recommendations Implemented by Audited Agencies

In Fiscal Year 2000, the OSA began tracking whether audited agencies implemented accepted audit recommendations. Each financial audit reports on the status of any prior year recommendations, and the ten follow-up performance audits released in Fiscal Year 2000 address whether the most recent audit recommendations were implemented. Follow-up audits completed in Fiscal Year 2000 suggest that about 46% of prior audit recommendations have been fully implemented and approximately 91% have been at least partially implemented. The OSA will continue to perform follow-up audits in order to promote full implementation of accepted audit recommendations.

GOAL TWO:

Provide Value to the General Assembly by Identifying Issues Requiring Statutory Change

Measure: Legislation Resulting from OSA Audits

Bills enacted during the 2000 Legislative Session resulting, in part, from recommendations made or studies conducted by the OSA:

- H.B. 00-1025 Colorado children's trust fund - transfer to department of public health and environment - extension - independent evaluation - elimination of marriage license fee - fee on divorce filings - appropriation.
- H.B. 00-1091 Boiler inspections - explosives - permits - fees.
- H.B. 00-1096 State employees - human resource innovation and management processes - grievances.
- H.B. 00-1342 Prevention, intervention, and treatment programs - division created - state plan - pilot program - transfer of programs - appropriation.
- S.B. 00-11 Driver's licenses and identification cards - confidentiality - term - renewals.
- S.B. 00-22 Child care - additional contract facility inspectors - appropriation.
- S.B. 00-61 Commission on higher education - nonprofit corporations - science and technology - open meetings - open records.
- S.B. 00-72 Sales tax - department of revenue - collection for local governments - notice of omitted retailers - interest on delayed distributions - notice of additional areas subject to tax.

- S.B. 00-92 Probation supervision fees - standardization.
- S.B. 00-140 Youthful offender system - treatment for sex offenders - resentencing - evaluation of programs - contract for educational services - appropriation.
- S.B. 00-164 Colorado student obligation bond authority - transfer - board - property - CSOBA fund - enterprise status - prepaid expense program - prepaid expense trust fund - investment of funds by treasurer - prepaid expense program promotion - college savings program.

GOAL THREE:

Ensure that the Benefits of Audits Exceed the Cost of Audits

Measure: Savings Identified in Audit Recommendations (in millions)

<u>Measure</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	
Savings Identified by Audit (in millions)	\$7.2		\$5.1	\$6.9	\$30.1
OSA Operating Costs (in millions)	\$4.7		\$5.0	\$5.5	\$5.7
Ratio of Savings to Costs	1.5:1		1.0:1	1.3:1	5.3:1

OSA Operating Budget

In Fiscal Year 2000 the OSA:

- Received general fund appropriations of approximately \$5.7 million.
- Reverted about \$292 thousand in unspent appropriations to the General Fund.
- Billed for approximately \$838 thousand in reimbursements from state and federal agencies for auditing services rendered.
- Contracted for over \$2.6 million in auditing services from private accounting and consulting firms.
- Employed about 57 FTE who performed audit, management, and administrative functions.

Audits Released in Fiscal Year 2000

Audit reports can be requested by phone (303) 866-2051, fax (303) 866-2060, or on the World Wide Web at www.state.co.us/auditor.

Financial Audits

- #1180 Auraria Higher Education Center, June 1999
- #1180 Auraria Higher Education Center: Student Fee Revenue Refunding Bonds, Series 1996 and 1991A, June 1999; Parking Facilities System Refunding Revenue Bonds, Series 1993, June 1999
- #1178 Auraria Higher Education Center, Tivoli Student Union, Statements of Operating Expenses, December 1998
- #1181 Colorado Community College and Occupational Education System, Financial and Compliance Audit and State-Funded Student Assistance System Programs, June 1999
- #1214 Colorado Compensation Insurance Authority, December 1998 and 1997
- #1198 Colorado Lottery, October 1999
- #1247 Colorado Lottery, Lottery Coupons, October 1999
- #1319 Colorado Proceeds from the Tobacco Master Settlement Agreement, Potential Revenues, Risks, and Realization Strategies, March 2000
- #1185 Colorado School of Mines, June 1999
- #1185A Colorado School of Mines, Auxiliary Bonds, June 1999
- #1271 Colorado State Fair Authority, June 1999
- #1183 Colorado State University System, June 1999
- #1203 Department of Higher Education, Student Loan Division, June 1999
- #1192 Department of Personnel, Employee Benefits Unit, Deferred Compensation Plan, June 1999 and 1998
- #1220 Department of Revenue, Division of Gaming, June 1999
- #1256 Department of State, June 1999
- #1316 Department of Treasury, Statement of Federal Land Payments (PILT), September 1999
- #1190 Fort Lewis College: Auxiliary Facilities Refunding and Improvement Revenue Bonds, Series 1992; Auxiliary Facilities Enterprise Refunding Revenue Bonds, Series 1998A; Student Life Center Revenue Bonds, Series 1998B-C; June 1999
- #1215 Legislative Department, June 1999 and 1998
- #1213 Public Employees' Retirement Association, December 1998
- #1266 Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR), November 1999
- #1252 Schedule of TABOR Revenue, September 1999
- #1191 State Board of the Great Outdoors Colorado Trust Fund (GOCO), June 1999
- #1255 State Colleges in Colorado, June 1999 (includes Mesa, #1199, Metro, #1200, and Western State, #1211)
- #1254 State Controller's Office, Cash Funds Uncommitted Reserves, June 1999
- #1175 State of Colorado, Statewide Single Audit, June 1999
- #1201 State Veterans' Nursing Home at Florence, June 1999
- #1210 University of Colorado, June 1999
- #1184A University of Colorado, Insurance Pool, June 1999 and 1998
- #1184B University of Colorado, Risk and Insurance Management Fund, June 1999 and 1998

- #1207 University of Northern Colorado, June 1999
- #1207A University of Northern Colorado, KUNC-FM, June 1999
- #1207B University of Northern Colorado, Research Corporation, June 1999
- #1207C University of Northern Colorado, Student Media Corporation, June 1999 and 1998
- #1183B University of Southern Colorado Bond Funds, June 1999 and 1998
- #1209 University of Southern Colorado, KTSC-TV, June 1999 and 1998

Performance Audits

- #1193 Colorado Advanced Technology Program, August 1999
- #1182 Colorado Information Technology Services Data Center, Review of Internal Controls, June 1999
- #1124 Colorado State University, Colorado Children's Trust Fund, June 1999
- #1274 Colorado Student Obligation Bond Authority (CSOBA), Colorado College Savings Programs, March 2000
- #1161 Department of Corrections, Youthful Offender System, August 1999
- #1231 Department of Education, Colorado Preschool Program, April 2000
- #1050 Department of Health Care Policy and Financing, Medicaid Fraud and Abuse Programs, July 1999
- #1114 Department of Health Care Policy and Financing, Review and Appeal Process for Community-Based Services, March 1999
- #1267 Department of Higher Education, Metropolitan State College of Denver, Student Full-Time Equivalent Enrollments, March 2000
- #1122 Department of Human Services, Child Support Enforcement Program, July 1999
- #1258 Department of Human Services, Colorado Works Program, First Annual Report, November 1999
- #1171 Department of Human Services, Division of Youth Corrections, Senate Bill 91-94 Program, November 1999
- #1233 Department of Human Services, Services for People with Developmental Disabilities, May 2000
- #1030 Department of Labor and Employment, Division of Labor, Oil Inspection Section and Public Safety Section, September 1999
- #1174 Department of Natural Resources, Division of Wildlife, October 1999
- #1205 Department of Personnel and Office of State Planning and Budgeting, State Agencies' Full-Time Equivalent Tracking and Reporting Methods, September 1999
- #1212 Department of Public Health and Environment, Colorado Automobile Inspection and Readjustment (AIR) Program, November 1999
- #1251 Department of Public Safety, State Troopers Compensation Study, September 1999

#1121 Department of Revenue, Division of Gaming, Limited Gaming, January 2000
#1323 Department of Revenue, Income Tax Initiative Project, March 2000
#1229 Department of Revenue, Sales Tax, July 1999
#1206 Department of Revenue, Tax Group Services, April 2000
#1105 Department of Transportation, Bridge Program, September 1999
#1117 Department of Transportation, Cash and Project Management, February 2000
#1235 Department of Treasury, Investment Program, October 1999

Follow-Up Performance Audits

#1218-F1 Evaluation of Actions Taken, 1998 Child Care Division Audit, August 1999
#1132-F1 Evaluation of Actions Taken, 1998 Colorado Water Conservation Board,
Construction Fund Loan Program Audit, December 1999
#1134-F1 Evaluation of Actions Taken, 1998 Division of Veterans Affairs Audit, November
1999
#1043-F1 Evaluation of Actions Taken, 1998 Juvenile Probation Performance Audit,
September 1999
#1160-F1 Evaluation of Actions Taken, 1998 Medicaid Capitation for Mental Health
Services Audit, August 1999
#1193-F1 Evaluation of Actions Taken, 1999 Colorado Advanced Technology Program
Audit, March 2000
#1174-F1 Evaluation of Actions Taken, 1999 Division of Wildlife Audit, May 2000
#1163-F1 Evaluation of Actions Taken, 1999 Division of Youth Corrections Audit,
September 1999
#1205-F1 Evaluation of Actions Taken, 1999 State Agencies' Full-Time Equivalent
Tracking and Reporting Methods Audit, May 2000
#1161-F1 Evaluation of Actions Taken, 1999 Youthful Offender System Audit, April 2000



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