

**ANNUAL REPORT
FISCAL YEAR 2004**

**COLORADO
OFFICE OF THE
STATE AUDITOR**

Joanne Hill
State Auditor

Role of the Colorado Office of the State Auditor

The Office of the State Auditor (OSA) is established in the State Constitution and serves as the government watchdog for the citizens of Colorado. As stewards of public funds, the OSA strives to promote accountability and improve the operation of all levels of government. Audits focus on reducing costs, increasing efficiency, improving the quality of services, and ensuring the accuracy and integrity of financial information.

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 2004 the OSA conducted about 60 financial and performance audits of state agencies and institutions of higher education. Examples of recent financial audits include the Statewide Financial and Compliance Audit, covering over \$15 billion in state expenditures, and the Public Employees Retirement Association Audit, covering about \$30 billion in retirement funds. This year's performance audits included the statutorily required Colorado Lottery, a review of the Certified Capital Companies, the

Colorado County Officials Employee Retirement Association, and Motor Carrier Regulation. A complete listing of the audit reports released in Fiscal Year 2004 is located on pages 5 through 7 of this report. Finally, the OSA's Local Government Audit Section reviews financial audits of cities, counties, school districts, authorities, and special districts.

The OSA is committed to producing high-quality audits and is subject to both internal and external peer reviews. In June 2004, the Office of the State Auditor received a Certificate of Recognition of Impact from the National Legislative Program Evaluation Society (NLPES) for the Fiscal Year 2004 performance audit of the Colorado Lottery (#1527).

About the Legislative Audit Committee

The Legislative Audit Committee (LAC) includes four senators and four representatives with equal representation from the two major political parties. The 2004 Committee is as follows:

Chair Vacant
Representative Val Vigil, Vice-Chairman
Senator Norma Anderson
Representative Fran Coleman
Representative Pamela Rhodes
Representative Lola Spradley
Senator Stephanie Takis
Senator Jack Taylor
Senator Ron Tupa

The LAC reviews and releases audit reports, proposes special studies, sponsors legislation recommended by audit reports, and makes a recommendation to the General Assembly every five years regarding the appointment of the State Auditor.

About the State Auditor

The State Auditor is a constitutionally established position appointed by the General Assembly by a majority vote of the members of the House and Senate. The Colorado Constitution requires that the Auditor be a Certified Public Accountant (CPA), appointed without regard to political affiliation. The current State Auditor, Joanne Hill, is a CPA who holds masters degrees in Business Administration and Political Science. Joanne also served as Colorado Commissioner of Insurance, the Financial Services Director of the Judicial Department, and as Deputy State Auditor. She is a member of the American Institute of CPAs and the Colorado Society of CPAs.

Performance Outcomes

GOAL: Provide Value through Recommendations that Assist Agencies in Improving State Government Services

Recommendations Accepted by Audited Agencies

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
GOAL	90%	90%	90%	90%	90%
ACTUAL	81%	87%	88%	83%	91%

The OSA tracks whether audited agencies implement accepted audit recommendations. Follow-up audits completed in Fiscal Year 2004 suggest that 55% of prior audit recommendations reviewed have been fully implemented and 83% have been at least partially implemented.

GOAL: Provide Value through Saving the Taxpayers Money

Five-Year Average (Fiscal Years 2000-2004)	
Savings Identified in Audits (in millions)	\$ 15.7
Net OSA Operating Costs (in millions)*	\$ 5.1
Ratio of Savings to Costs	3:1

* Net operating costs include general fund appropriation less general fund reversions.

GOAL: Provide Value through Identification of Statutory Improvements

Bills enacted during the 2004 legislative session, related to recommendations made or studies conducted by the OSA:

- S.B. 04-002 Local Government Audit Exemption
- S.B. 04-003 Enterprise Zone Audit Reports
- S.B. 04-007 Higher Education Personnel System Exemption
- S.B. 04-008 State Employee Health Benefits
- S.B. 04-009 State Fair Enterprise Status
- S.B. 04-011 Limit CAPCO Qualified Distributions
- S.B. 04-015 Inmate State Sales Tax Refund Offset

S.B. 04-176 Local Conservation Trust Fund Oversight
 S.B. 04-198 Volunteer Firefighter State Contribution
 S.B. 04-204 State Lottery Program
 S.B. 04-247 Reform First Pool CAPCO Act
 H.B. 04-1005 Enterprise Status of Auxiliary Facilities of Higher Education
 H.B. 04-1007 Higher Education Optional Retirement Plans
 H.B. 04-1022 Duties of the Division of Central Services
 H.B. 04-1027 Primary and Preventive Care Grant Program
 H.B. 04-1028 Public Defender Processing Fee
 H.B. 04-1055 Capital Construction and Renovation Fund Grants
 H.B. 04-1248 Tobacco Products Licensure Audit

Audits Released in Fiscal Year 2004

Audit reports can be requested by phone at 303.869.2800 or viewed at www.state.co.us/auditor.

Financial and Compliance Audits

#1549 Adams State College, Fiscal Years Ended June 30, 2003 and 2002
 #1528 Auraria Higher Education Center, Fiscal Years Ended June 30, 2003 and 2002
 #1587 Boulder Valley School District, The Interest-Free School Loan Program, Fiscal Year 2003
 #1572 Cash Funds Uncommitted Reserves Report, Fiscal Year Ended June 30, 2003
 #1529 Colorado Community College System, Fiscal Years Ended June 30, 2003 and 2002
 #1496 Colorado Lottery, Fiscal Years Ended June 30, 2003 and 2002
 #1542 Colorado School of Mines, Fiscal Years Ended June 30, 2003 and 2002
 #1543 Colorado State Fair Authority, Fiscal Years Ended June 30, 2003 and 2002
 #1531 Colorado State University System, Fiscal Year Ended June 30, 2003
 #1558 Colorado State Veterans Nursing Home-Florence, Fiscal Year Ended June 30, 2003
 #1530A Colorado Student Obligation Bond Authority, Prepaid Tuition Fund, Fiscal Years Ended June 30, 2003 and 2002
 #1530C Colorado Student Obligation Bond Authority, Scholars Choice Fund, Fiscal Year Ended June 30, 2003
 #1530D Colorado Student Obligation Bond Authority, Stable Value Plus Fund, Fiscal Year Ended June 30, 2003
 #1530B Colorado Student Obligation Bond Authority, Student Loan Program Funds, Fiscal Years Ended June 30, 2003 and 2002
 #1544 Department of Higher Education, Student Loan Division, Fiscal Years Ended June 30, 2003 and 2002
 #1541 Department of Public Health and Environment, Agreed Upon Procedures for Colorado Children's Trust Fund, Fiscal Year Ended June 30, 2003
 #1551 Department of Revenue, Division of Gaming, Fiscal Years Ended June 30, 2003 and 2002
 #1581 Department of Treasury, Statement of Federal Land Payments, Federal Fiscal Year Ended September 30, 2003
 #1534 Fort Lewis College, Fiscal Years Ended June 30, 2003 and 2002
 #1590 Judicial Department, Office of the Child's Representative, Fiscal Year Ended June 30, 2003
 #1469 Legislative Department, Fiscal Years Ended June 30, 2003 and 2002
 #1539 Mesa State College, Fiscal Year Ended June 30, 2003

- #1540 Metropolitan State College of Denver, Fiscal Years Ended June 30, 2003 and 2002
- #1507 Pinnacol Assurance, Years Ended December 31, 2002 and 2001
- #1499 Public Employees' Retirement Association of Colorado, Year Ended December 31, 2002
- #1580 Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR), December 2003
- #1579 Schedule of TABOR Revenue, October 2003
- #1535 State Board of the Great Outdoors Colorado Trust Fund, Fiscal Year Ended June 30, 2003
- #1569 State of Colorado, Statewide Single Audit, Fiscal Year Ended June 30, 2003
- #1574 State of Colorado Deferred Compensation Plan, Fiscal Years Ended June 30, 2003 and 2002
- #1532 University of Colorado, Fiscal Year Ended June 30, 2003
- #1575A University of Colorado, Insurance Pool, Fiscal Years Ended June 30, 2003 and 2002
- #1575B University of Colorado, Risk and Insurance Management Fund, Fiscal Years Ended June 30, 2003 and 2002
- #1553 University of Northern Colorado, Fiscal Year Ended June 30, 2003
- #1553A University of Northern Colorado, Student Media Corporation, Fiscal Year Ended June 30, 2003
- #1548 Western State College, Fiscal Year Ended June 30, 2003

Performance Audits

- #1509 Automobile Inspection and Readjustment Program, June 2003
- #1592 Colorado County Officials and Employees Retirement Association, May 2004
- #1515 Colorado Integrated Criminal Justice Information System (CICJIS), July 2003
- #1585 Colorado's Certified Capital Company (CAPCO) Program, October 2003
- #1478 Department of Corrections, Correctional Industries: Surplus Property and Furniture Production, June 2003
- #1479 Department of Health Care Policy and Financing, Comprehensive Primary and Preventive Care Grant Program, June 2003
- #1501 Department of Higher Education, Reporting of Student Enrollment, Agriculture Business and Small Business Management Programs, November 2003
- #1570 Department of Human Services, Evaluation of the Colorado Works Program, Fifth Annual Report, November 2003
- #1514 Department of Human Services, State and Veterans Nursing Homes, October 2003
- #1503 Department of Labor and Employment and Governor's Office of Workforce Development, Workforce Development Programs, June 2003
- #1638 Department of Local Affairs, Conservation Trust Fund, January 2004
- #1517 Department of Military and Veterans Affairs, Evaluation of the Veterans Trust Fund, June 2003
- #1555 Department of Personnel & Administration, Central Collection Services, May 2004
- #1564 Department of Personnel & Administration, Division of Information Technologies Data Center and Technology Management Unit, Report on Controls Placed in Operation, Period from October 1, 2002 through March 31, 2003
- #1556 Department of Personnel & Administration, Employee Benefit Program, June 2003
- #1559 Department of Personnel & Administration, Procurement Card Program, August 2003
- #1522 Department of Public Health and Environment, Communicable Disease Epidemiology Program, July 2003
- #1519 Department of Public Safety, Colorado Bureau of Investigation, July 2003

- #1523 Department of Regulatory Agencies, Divisions of Banking and Financial Services, October 2003
- #1521 Departments of Regulatory Agencies and Revenue, Motor Carrier Regulation, September 2003
- #1527 Department of Revenue, Colorado Lottery, November 2003
- #1516 Department of Revenue, Liquor Enforcement Division, August 2003
- #1520 Department of Transportation, Highway Design and Construction Projects, May 2004
- #1589 Enterprise Zone Program, Annual Report 2003
- #1498 Fire and Police Pension Association, Investment Program and State Assisted Plans, November 2003

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