

Colorado Office of the State Auditor

ANNUAL REPORT Fiscal Year 2014



We Set the Standard for Good Government

Dianne E. Ray, CPA
State Auditor

Table of Contents:

Message from the State Auditor	1
Office of the State Auditor Mission.....	3
Role of the Office of the State Auditor.....	4
Financial Benefits	5
Audit Recommendations.....	7
Allocation of Resources.....	9
Performance Audits.....	11
Financial Audits	13
Local Government Audit Division	15
Other Work Products	17
About the State Auditor	18
Office of the State Auditor Staff.....	19
Audit Industry Leadership and Staff Visibility	20
Legislative Audit Committee.....	23
Statutory Change.....	24
Reports and Other Work Products Released in Fiscal Year 2014	27



Message from the State Auditor

Fiscal Year 2014 was another year of change for the Colorado Office of the State Auditor (OSA). In addition to issuing 48 audits and other work products, we completed restructuring of internal staff assignments, and created a Professional Practice & Quality Assurance Section. This move was an important step for providing greater quality assurance and auditing standards support for the OSA's audit function.

The OSA also took over administration of the State Fraud Hotline, which was previously operated by the Office of the State Controller. The State Fraud Hotline provides citizens and state government employees a means of reporting concerns about fraud in state government agencies and institutions of higher education. Depending on the nature of the allegations, cases may be referred to internal auditors and investigators in other agencies or referred to an OSA audit team.

The OSA applied for and received a \$5,000 Wellness Grant, which will help us pilot a wellness program to benefit staff through exercise, nutrition, stress-reduction, wellness education, getting outdoors, individual lifestyle changes, and team fitness challenges.

Finally, the OSA successfully completed its move from the Legislative Services Building to the seventh floor of the State Services Building. The new office has allowed all of the OSA's staff to be in the same physical location for the first time in nearly 7 years.

The OSA continues to produce award-winning performance audits. In May 2014, the OSA received the National State Auditors Association's (NSAA) **Excellence in Accountability Award** in the large performance audit category for its March 2013 *Medical Marijuana Regulatory System (Part I) Performance Audit*. NSAA gives this award to one recipient office each year in recognition of government auditing excellence.

In June 2014, the OSA's *Medical Marijuana Regulatory System (Part I) Performance Audit* also received a **Certificate of Impact** from the National Legislative Program Evaluation Society (NLPES), a staff section of the National Conference of State





Message from the State Auditor (continued)

Legislatures. NLPES presents Certificates of Impact to offices that release reports documenting public policy impact and program improvements within their respective states.

This annual report details other OSA accomplishments and provides more information about the audits and other work products we issued during Fiscal Year 2014.

Dianne E. Ray, CPA
State Auditor

Office of the State Auditor Mission

Through a comprehensive strategic planning process, the OSA has defined a mission statement, vision statements, and underlying goal for carrying out its statutory and professional responsibilities. The OSA regularly assesses these mission, vision, and goal statements to ensure their completeness, applicability, and responsiveness to the OSA's current and future needs and operating environment.

OSA Mission Statement

- To improve government for the people of Colorado.

OSA Vision Statements

- Our audits will identify efficiencies and cost savings, and improve effectiveness and transparency in government.
- We will provide objective information, quality services, and solution-based recommendations.

OSA Goal

- Produce quality and timely products that respond to changing demands by maximizing internal efficiencies and available resources, including products that identify cost savings and other financial benefits for the State. The OSA will promote the best and highest use of these products through targeted distribution and presentations.



Role of the State Auditor

The OSA is the nonpartisan government watchdog for the citizens of Colorado. We provide the General Assembly, agencies, and the public with thorough, credible, and impartial assessments of the operation of state programs. The OSA's audits provide solution-based recommendations that focus on reducing costs, increasing efficiency, promoting the achievement of legislative intent, improving effectiveness and the quality of services, ensuring transparency in government, and ensuring the accuracy and integrity of financial and other information that decision makers need to hold government agencies accountable for the use of public resources.

Section 2-3-103, C.R.S., grants the State Auditor broad authority to conduct performance, financial, and information technology (IT) audits of all state departments and agencies, public colleges and universities, most special purpose authorities, any state entity designated as an enterprise, and other political subdivisions as required by law.

Colorado's Local Government Audit Law (Section 29-1-601, et seq., C.R.S.) requires every local government in the state to undergo an annual financial audit conducted by an independent certified public accountant (CPA). The State Auditor is required to examine these audit reports to determine compliance with accounting standards and other requirements. Local governments with revenues and expenditures less than \$500,000 may apply to the State Auditor for an exemption from audit.

Financial Benefits

The OSA's audits often identify potential financial benefits to the State and opportunities to help ensure responsible stewardship of taxpayer money. Financial benefits may include potential cost savings, collection of fees or debts owed, General Fund cost recoveries, policies that could be changed to increase revenue, improving the management of funds, leveraging State resources with matching funds, or increases in the value of assets in the State's accounting system.

One of the OSA's goals is to achieve a 3:1 ratio of benefits to costs.

Average Over 5 Years (Fiscal Years 2010–2014)

Potential Annual Financial Benefits Identified in Reports (in millions)	\$35.5
Net Annual OSA Operating Costs (in millions)*	\$6.3
Ratio of Benefits to Costs	5.6 : 1

**Net annual operating costs calculated from General Fund appropriations less General Fund reversions for Fiscal Years 2010–2014.*

The following table shows the total potential financial benefits identified in OSA audit reports for the past 5 fiscal years.

Colorado Office of the State Auditor Potential Financial Benefits Identified in Audit Reports Fiscal Years 2010–2014 (Dollars In Millions)					
2010	2011	2012	2013	2014	Annual Average
\$47.1	\$16.8	\$67.8	\$28.5	\$17.1	\$35.5
Source: Office of the State Auditor's analysis of financial benefits reported in audit reports released during Fiscal Years 2010 through 2014.					



Financial Benefits (continued)

Our Fiscal Year 2014 audits identified a total of \$17.1 million in potential financial benefits to the State. The majority of these potential financial benefits were identified in the *Colorado Lottery Performance Audit* (August 2013), which included the following findings:

- Full implementation of the scratch ticket auto-reorder and courier system, as well as further analysis and modification to sales staff bonuses, retailer compensation, and prize payouts, could yield about \$16.1 million in financial benefits for the State and other agencies benefitting from Lottery proceeds.

The OSA's *School Meal Program Performance Audit* (January 2014) and *Vocational Rehabilitation Program Performance Audit* (November 2013) collectively identified an additional \$965,000 in potential financial benefits.

Audit Recommendations

During Fiscal Year 2014, the OSA issued 521 audit recommendations to state agencies and higher education institutions. Audit recommendations, as well as agencies' responses to the recommendations and planned implementation dates, if applicable, are included as part of the individual published reports.

Our audit recommendations promote positive change in government and are an important part of holding agencies and institutions accountable for addressing the problems and issues identified by our financial, performance, and IT audits and studies.

Implementation of Audit Recommendations

In Fiscal Year 2014, the OSA continued its annual reporting to the Legislative Audit Committee, the Joint Budget Committee, and all the committees of reference on the implementation status of all performance, financial, and IT audit recommendations that have not been fully implemented. The *Annual Report of Audit Recommendations Not Fully Implemented* (October 2013) compiles and summarizes audit recommendations made over the previous 5 years and provides important information about agencies' progress addressing audit findings. The increased visibility created by this report and the related committee hearings has been a strong motivation for state agencies to implement their outstanding recommendations. This annual report is also an important part of fulfilling the OSA's statutory reporting responsibilities under the State Measurement for Accountable, Responsive, and Transparent (SMART) Government Act.

The most recent report, issued in October 2013, covers the 3,449 financial, performance, and IT audit recommendations the OSA made to state agencies during the period July 1, 2008, through June 30, 2013. State agencies agreed or partially agreed to implement 3,406 (99 percent) of these recommendations.



Audit Recommendations (continued)

Overall, agencies have made significant progress making the changes they agreed or partially agreed to make. However, there are still some audit recommendations that have not been fully implemented. According to our October 2013 report:

- 90 of the 1,672 financial audit recommendations (5 percent) that agencies agreed or partially agreed to implement were still outstanding as of June 30, 2013. This is a decrease in both the number and percentage of outstanding financial audit recommendations from the prior year.
- 170 of the 1,734 performance and IT audit recommendations (10 percent) that agencies agreed or partially agreed to implement were still outstanding as of June 30, 2013. This is an increase in the number, but not the percentage, of outstanding performance and IT audit recommendations from the prior year. However, of the 170 outstanding performance and IT audit recommendations, only 62 recommendations (36 percent) were carried forward from prior years.

Allocation of Resources

During Fiscal Year 2014, the OSA issued a total of 48 financial, performance, and IT audit reports and other work products. The OSA completed these audits and other work products for the following reasons:

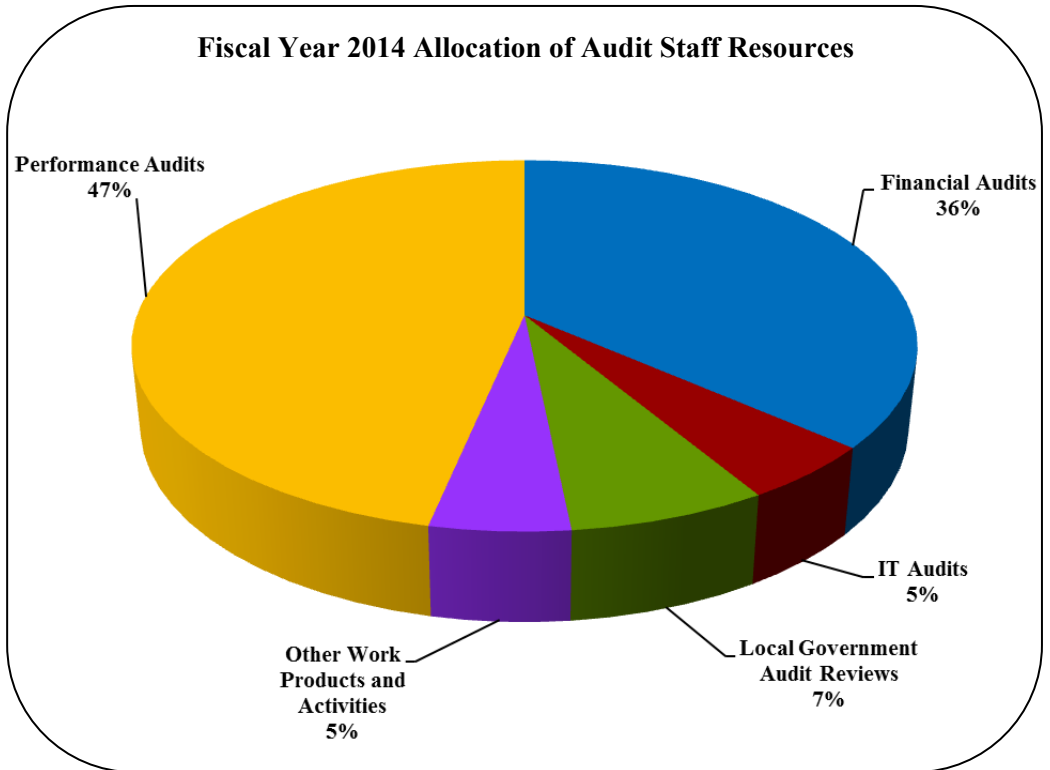
- 37 audit reports and other work products (77 percent) were completed in response to statutory or other legal requirements, including the *Statewide Single Audit for Fiscal Year Ended June 30, 2013*, which was conducted to comply with the requirements of the federal Single Audit Act, as amended.
- 7 audit reports and other work products (15 percent) were completed at the State Auditor's discretion based on risk, audit coverage, and other considerations.
- 3 audit reports and other work products (6 percent) were completed in response to requests from state legislators. The OSA works with the Legislative Audit Committee to review legislative requests and, if approved by the Legislative Audit Committee, incorporate them as part of the OSA's ongoing audit plan.
- 1 audit report (2 percent) was completed in response to a request from the agency's executive director.

A complete listing of the audit reports and other work products the OSA issued during Fiscal Year 2014 is located on pages 27 through 32 of this report. In addition, the OSA reviewed financial audit reports and Exemption from Audit applications submitted by Colorado's 4,000 local governments.



Allocation of Resources (continued)

The following chart shows how the OSA's audit staff hours were allocated during Fiscal Year 2014.



Performance Audits

Performance audits address whether programs are operated in an effective and efficient manner to accomplish their intended goals and in compliance with laws and regulations.

During Fiscal Year 2014, the OSA issued 13 performance audits. These audits identified concerns across a range of state agencies and institutions, including:

- Inadequate oversight of physicians who recommend patients for medical marijuana “red cards” based on specific qualifying medical conditions and caregivers who grow and cultivate medical marijuana on behalf of patients to ensure that only qualified individuals have access to medical marijuana. *(Medical Marijuana Regulatory System Part II, Performance Audit, Department of Public Health and Environment and Department of Revenue, June 2013)*
- Problems with allocating grant awards, poor monitoring of grantee performance, gaps in managing conflicts of interest, noncompliance with Colorado’s open meetings law, and a lack of clarity and common understanding about responsibilities and authority for administration and oversight, which undermined the program’s ability to address the State’s HIV and AIDS prevention and education needs. *(Colorado HIV and AIDS Prevention Grant Program, Performance Audit, Department of Public Health and Environment, July 2013)*
- Incomplete implementation of the scratch ticket auto-reorder and courier system and lack of analysis of sales staff bonuses, retailer compensation, and prize payouts. Addressing these issues could yield about \$16.1 million in financial benefits for the State and other agencies benefitting from Lottery proceeds. *(Colorado Lottery, Department of Revenue, August 2013)*
- Pervasive problems with program oversight, lack of a system of internal controls, and an inability to maintain a culture of accountability eroded the program’s ability to carry out its responsibilities in accordance with federal and state laws and ensure that individuals with disabilities prepare for, enter, and retain employment. Changes in policies and other collections efforts could yield about \$265,000 in financial benefits for the State. *(Vocational Rehabilitation Program, Performance Audit, Department of Human Services, November 2013)*



Performance Audits (continued)

- Lack of identification of capital construction needs or statewide prioritization of capital construction needs when awarding more than \$1 billion in state and local funds to build, renovate, and maintain public schools so that unsafe or overcrowded schools do not impair students' abilities to learn. (*Public School Capital Construction Assistance Program, Performance Audit, Department of Education, September 2013*)
- Ineffective controls for determining program eligibility and calculating rebate payments, and a need to improve outreach to program beneficiaries who are low-income elderly or disabled Colorado residents. (*Property Tax, Rent, and Heat Rebate Program, Performance Audit, Department of Revenue, August 2013*)
- Lack of routine processes for analyzing costs to implement cost saving measures and ensure adequate reimbursement for costs by Medicaid, and insufficient assessment tools and processes to ensure a timely transition for those clients who are ready and willing to transition out of the regional centers to private providers. (*Regional Centers for People with Developmental Disabilities, Performance Audit, Department of Human Services, November 2013*)
- Insufficient policies, processes, and systems to ensure that restitution payments from convicted criminal offenders are ordered, collected, and distributed to victims consistently, in a timely manner, and in accordance with statutory requirements. (*Victim's Restitution, Performance Audit, Judicial Branch and Department of Corrections, April 2014*)

Information Technology Audits

The OSA's IT audit team reviews policies, procedures, and technology to ensure the confidentiality, integrity, and availability of the State's critical computer systems and taxpayer data. During Fiscal Year 2014, the OSA issued one standalone IT work product: *Information Technology in Colorado State Government* (August 2013). In addition to its standalone work products, the OSA's IT audit team contributes to all of the OSA's performance and financial audits by evaluating controls over critical information systems and applying computer-assisted audit techniques (CAATs) that automate or simplify audit processes, thereby making our audits more efficient and extending our audit coverage (e.g., testing the entire population instead of a sample).

Financial Audits

The OSA conducts an annual audit of the State's basic financial statements and an audit of federal grants on a statewide level, as well as other required financial audits. During Fiscal Year 2014, the OSA issued 28 financial audits, including the *Statewide Single Audit for Fiscal Year Ended June 30, 2013*.

The OSA's financial auditors also completed two standalone audit reports related to the Taxpayer's Bill of Rights (TABOR): *Schedule of TABOR Revenue* (September 2013) and *Schedule of Computations Required Under Article X, Section 20, of the State Constitution* (February 2014).

Finally, the OSA's financial auditors help to identify high-risk areas, such as the State's Vocational Rehabilitation Program, that are subsequently assigned as standalone performance audits and partially staffed with financial auditors.

Statewide Single Audit

The purpose of the Statewide Single Audit for Fiscal Year Ended June 30, 2013, was to express an opinion on the State's financial statements and Schedule of Expenditures of Federal Awards; review internal accounting and administrative control procedures; evaluate compliance with applicable state and federal laws, rules, and regulations; and evaluate progress in implementing prior years' audit recommendations.

Financial Statement Findings

- The State's financial statements covered \$32.1 billion in total assets and \$25.3 billion in total expenditures.
- We issued an unqualified opinion on the State's financial statements for the Fiscal Year Ended June 30, 2013. That means the State's financial statements presented fairly, in all material respects, the State's financial position, results of all financial operations, and cash flows, in conformance with generally accepted accounting principles.
- We identified 17 internal control weaknesses related to compliance with internal control over financial reporting and other matters.



Financial Audits (continued)

Federal Program Findings

- The State expended approximately \$10.4 billion in federal funds in Fiscal Year 2013. The four largest federal programs were:
 - Medicaid: \$2.6 billion
 - Student Financial Assistance: \$1.5 billion
 - Unemployment Insurance: \$1.1 billion
 - Supplemental Nutrition Assistance Program: \$887 million
- We identified 60 internal control issues related to the State's compliance with requirements applicable to major federal programs.
- We identified nearly \$145,000 in questioned costs related to federal awards granted to the State.

Standalone Financial Audits

The OSA also contracts with CPA firms for standalone financial audits of Colorado higher education institutions and other entities, including the State Board of the Great Outdoors Colorado Trust Fund, the Colorado Lottery, Pinnacle Assurance, and the Colorado Public Employees' Retirement Association (PERA). The PERA financial audit covered about \$47.4 billion in retirement funds.

Local Government Audit Division

The OSA's Local Government Audit Division tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law, which requires local governments, such as cities, counties, special districts, school districts, authorities, and political subdivisions, to submit an annual independent financial audit or an Exemption from Audit application to the OSA.

The Local Government Audit Division examines annual financial audits to determine compliance with accounting standards and other requirements. Under certain circumstances, the OSA has authority to cause an audit of a local government to be conducted. When requested, the Local Government Audit Division also provides technical assistance to local governments and their independent auditors.

During Fiscal Year 2014, the Local Government Audit Division produced several standalone reports, including:

- *Fiscal Health Analysis of Colorado School Districts* (July 2013)
- *Fiscal Health Analysis for Colorado Counties and Municipalities* (October 2013)
- *Cash Funds Uncommitted Reserves for the Fiscal Year Ended June 30, 2013* (February 2014)

The award-winning *Fiscal Health Analysis of Colorado School Districts* report is prepared annually and provides a set of financial indicators for each school district that may be used by the Colorado Department of Education, school districts, local government officials, and citizens to evaluate the financial health of Colorado's school districts. These financial indicators can warn of financial stress that may require further examination and remedial action by the appropriate parties.



Local Government Audit Division (continued)

In Fiscal Year 2014, the OSA applied the principles from the school district fiscal health analysis and developed a similar fiscal health analysis tool for Colorado counties and municipalities. By utilizing this tool and publicly available financial information, local government auditors, county and city managers and finance officers, local elected officials, and citizens can analyze trends that provide information to understand the financial condition of their county or municipality.

The OSA has made available an Excel spreadsheet on our website that calculates the ratios and benchmarks discussed in the *Fiscal Health Analysis for Colorado Counties and Municipalities* report based on simple entry of financial data points by the user.

Additionally, the OSA's Local Government Audit Division now uses this fiscal analysis tool when reviewing the independent financial audit reports that Colorado counties and municipalities are required to submit to our office.

Other Work Products

In addition to its audits, the OSA produces other work products that provide important information and analysis for the General Assembly, state and local government agencies, and the public.

In March 2014, the OSA issued the *National Collegiate Athletic Association Financial Data Compilation Report*. This new compilation report provides a summary and comparison of the Fiscal Year 2013 National Collegiate Athletic Association (NCAA) related revenues and expenses for the State's higher education institutions. The data for this report are pulled from required agreed-upon procedure engagements contracted for by the OSA annually for Colorado's three Division I institutions and every 3 years for Colorado's eight Division II institutions.

As mentioned previously, in October 2013, the OSA also continued its annual reporting to the Legislative Audit Committee, Joint Budget Committee, and all the committees of reference through the *Annual Report of Recommendations Not Fully Implemented*.



About the State Auditor

The State Auditor is a constitutionally established position with broad authority to audit state agencies and departments, institutions of higher education, and the Legislative and Judicial Branches. The General Assembly appoints the State Auditor without regard to political affiliation. The State Auditor serves a 5-year term and must be a CPA licensed to practice in Colorado.

The current State Auditor, Dianne E. Ray, has specialized in governmental and nonprofit accounting and auditing for more than 25 years. Dianne possesses in-depth knowledge of Colorado's state and local governments and has established effective relationships with elected officials, executive directors, and business and community leaders.

Prior to her appointment as State Auditor, Dianne served as the OSA's Deputy State Auditor and was primarily responsible for the annual financial audit and Statewide Single Audit of the State of Colorado. Dianne began her career at the OSA in 2002 as Director of the Local Government Audit Division. Prior to joining the OSA, Dianne worked in local governments for 15 years, most recently as Director of Finance and Administration for the City of Louisville, Colorado. She has extensive experience in senior-level management positions and has been recognized for her innovative leadership style. In 2012, the Colorado Society of Certified Public Accountants and the American Institute of Certified Public Accountants named Dianne as one of three "Women to Watch" in the Experienced Leader category.

Dianne participates in various professional organizations, including the American Institute of Certified Public Accountants, the Colorado Society of Certified Public Accountants, the Government Finance Officers Association, and the National State Auditors Association. Dianne is a member of the Executive Committee for the National State Auditors Association and is a member of the Board for the Colorado Housing and Finance Authority. Dianne holds a Bachelor of Science degree in Accounting from Arizona State University and a Master of Public Administration degree from the University of Colorado. She is a licensed CPA in Colorado and Arizona.

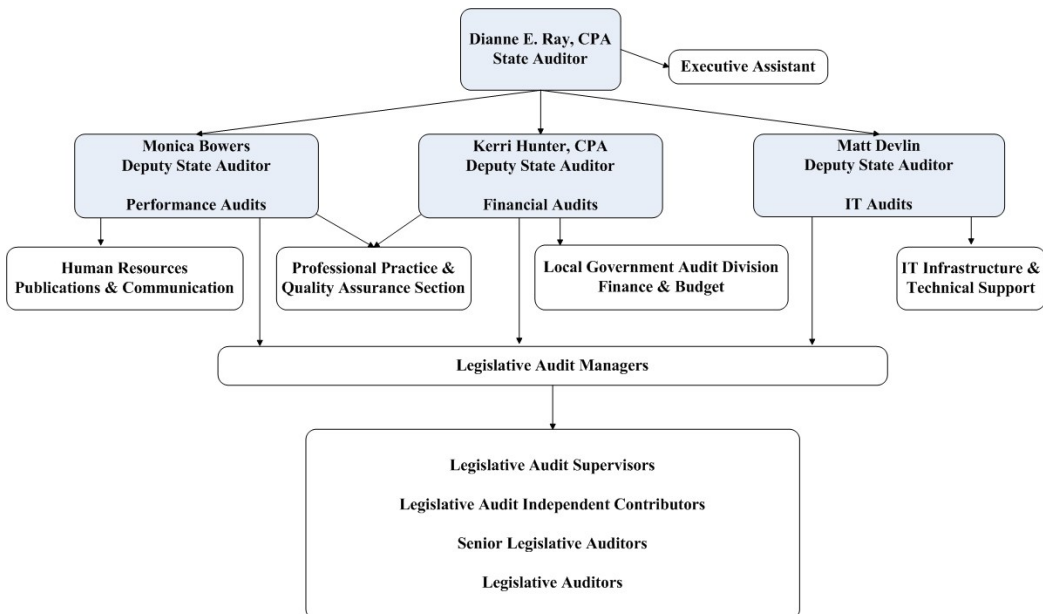
Office of the State Auditor Staff

The OSA has 67 professional and administrative support staff who are dedicated to furthering the OSA’s mission and goals.

Collectively, the OSA’s audit staff possess more than 320 years of auditing experience. The OSA’s audit staff are highly educated, with many auditors holding advanced degrees, such as master’s degrees, Ph.D.s, and law degrees. Additionally, many auditors hold professional licenses and certifications, including:

- Certified Public Accountant
- Certified Fraud Examiner
- Certified Government Auditing Professional
- Certified Government Finance Officer
- Certified Information Systems Auditor
- Certified Information Security Manager
- Certified Internal Auditor

Organizational Chart





Audit Industry Leadership and Staff Visibility

The OSA has established itself as a leader among its peers in other states and is an active contributor to the government auditing profession and accountability community.

Peer Organizations

The OSA's management and staff remain active in two national organizations whose memberships comprise state audit organizations:

- *National State Auditors Association (NSAA)*. Members of the OSA's senior management team and audit managers serve on several NSAA standing committees: Audit Standards and Reporting, Peer Review, Performance Audit, Single Audit, Auditor Training, E-Government, Human Resources, and Awards. The State Auditor chairs the Single Audit Committee. Additionally, three of the OSA's performance audit managers have participated on NSAA peer review teams assigned to conduct quality control evaluations of audit organizations in other states. In April 2014, two of the OSA's performance audit team leaders attended NSAA's Middle Management Conference to learn about emerging audit techniques and approaches and to discuss common challenges and needs of middle management staff in state audit offices.
- *National Legislative Program Evaluation Society (NLPES)*. NLPES is a staff section of the National Conference of State Legislatures and its purpose is to advance the profession of legislative performance auditing and program evaluation. The OSA's active participation in NLPES's fall professional development seminars affords management and staff the opportunity to better understand and address the changing environment and unique demands facing legislative audit and evaluation organizations. One of the OSA's performance audit managers has served as a member of the NLPES Executive Committee since 2009.

Audit Industry Leadership and Staff Visibility (continued)

External Presentations

The OSA regularly presents information about its work to various audiences, including government officials, members of audit industry organizations, and students attending Colorado higher education institutions.

During Fiscal Year 2014, OSA management and staff gave formal presentations to audiences associated with the following organizations and events:

- Metropolitan State University of Denver, Contemporary Auditing Issues Class (Denver, CO), June 2014
- National State Auditors Association, Annual Meeting (Minneapolis, MN), June 2014
- Colorado Fiscal Managers Association, Spring Conference (Loveland, CO), May 2014
- Association of Government Accountants-Denver Chapter, Annual Conference (Denver, CO), May 2014
- Higher Education Controllers Meeting (Loveland, CO), May 2014
- Metropolitan State University of Denver, Political Science Class (Denver, CO), April 2014
- Colorado City and County Management Association, Annual Conference (Glenwood Springs, CO), February 2014
- Colorado Municipal League, Webinar (Denver, CO), January 2014
- Colorado Government Finance Officers Association, Annual Conference (Breckenridge, CO), November 2013
- University of Colorado-Denver, Masters in Public Administration Class (Denver, CO), November 2013
- Colorado Society of Certified Public Accountants, Governmental Conference (Denver, CO), October 2013
- National Legislative Program Evaluation Society, Fall Professional Development Seminar (Austin, TX), September 2013



Audit Industry Leadership and Staff Visibility (continued)

- Mountain & Plains Intergovernmental Audit Forum, Annual Meeting (Denver, CO), August 2013
- Colorado Government Finance Officers Training Course (Alamosa, CO; Frisco, CO; Loveland, CO; Montrose, CO), July/August 2013
- Adams County City Managers, Mayors, and Commissioners Meeting (Federal Heights, CO), July 2013

Professional Associations

The OSA's staff remain active members in several professional associations that provide opportunities for professional development and training, and to share best practices and exchange useful industry information:

- American Institute of Certified Public Accountants
- Association of Certified Fraud Examiners
- Colorado Fiscal Managers Association
- Colorado Government Finance Officers Association
- Colorado Society of Certified Public Accountants
- Information Systems Audit and Control Association
- Institute of Internal Auditors

Legislative Audit Committee

The Legislative Audit Committee (LAC) holds public hearings to review and release audit reports prepared by the State Auditor, proposes special audits, sponsors legislation recommended in audit reports, and holds state agencies accountable for addressing issues raised in audit reports. In addition, every 5 years the LAC recommends a candidate to the General Assembly for appointment as State Auditor.

For Calendar Year 2014, the LAC members were:

Sen. Steve King, Chair

Sen. Lucia Guzman, Vice-Chair

Sen. David Balmer

Rep. Dan Nordberg

Rep. Dianne Primavera

Rep. Su Ryden

Rep. Jerry Sonnenberg

Sen. Lois Tochtrop

*The Legislative
Audit Committee
includes
four senators
and
four representatives
with equal
representation from
the two major
political parties.*



Statutory Change

The OSA serves the people of Colorado by issuing high-quality, objective audits and reviews that address relevant public issues and promote accountability in government. In some cases, the General Assembly may seek statutory change to address the concerns and recommendations raised in our reports.

Audit-related legislation originates through the Legislative Audit Committee or from agencies working directly with individual legislators. For legislation that is sponsored by the Legislative Audit Committee and relates to an audit recommendation, OSA staff work with the Legislative Audit Committee, agency representatives, and bill drafters to provide written and testimonial information.

During the 2014 Legislative Session, six bills were enacted in response to issues raised in OSA audits and evaluations:

House Bill 14-1190—School District Financial Capacity Capital Construction Grants

- Added two factors for consideration when determining a school district's or board of cooperative services' (BOCES) financial capacity to provide matching funds when applying for financial assistance under the Building Excellent Schools Today Program. The Public School Capital Construction Assistance Board may consider (1) a school district's available bond capacity or the average available bond capacity of participating members of a BOCES, and (2) a school district's unreserved fund balance as a percentage of its annual budget or the average unreserved fund balance of the annual budget of the participating members of a BOCES.

(Public School Capital Construction Assistance Program, Performance Audit, September 2013, Department of Education)

*During the 2014
Legislative Session,
six bills were enacted
in response to
recommendations
made or issues raised
in the OSA's audit
reports and studies.*

Statutory Change (continued)

House Bill 14-1188—Use of Outdoor Advertising Program Revenues

- Requires the Department of Transportation (CDOT) to establish a cost recovery center within the State Highway Fund and to deposit all permit fees collected through the Outdoor Advertising Program into this center.
- Directs CDOT to use the revenue collected for specific information signs, business signs installed on specific information signs, and tourist-oriented directional signs to cover administrative costs for the program and to transfer all excess revenue to the State Highway Fund.

(Outdoor Advertising Program, Performance Audit, May 2013, Department of Transportation)

House Bill 14-1176—Emissions Program Audit Cycle

- Changed the statutory audit requirement for a performance audit of the Automobile Inspection and Readjustment (AIR) Program from a 3-year audit cycle to a 5-year audit cycle to allow more time for the Department of Public Health and Environment to implement recommendations and to provide for more effective and efficient use of the OSA's audit resources.

(Automobile Inspection and Readjustment Program, Performance Audit, November 2012, Department of Public Health and Environment)

House Bill 14-1396—Medical Marijuana Registry Access

- Clarified existing definitions pertaining to authorized employees' use of the medical marijuana database. "Authorized employees of the state health agency" includes independent contractors and other agencies with whom the Department of Public Health and Environment contracts or works with under an intergovernmental agreement to provide services related to the administration of the medical marijuana registry.

(Medical Marijuana Regulatory System—Part II, Performance Audit, June 2013, Department of Public Health and Environment and Department of Revenue)



Statutory Change (continued)

House Bill 14-1338—Regional Centers Task Force and Utilization Study

- Establishes a 15-member task force to study, make recommendations, and report its findings concerning the State-operated Regional Centers for People with Developmental Disabilities.
- The task force must conduct a needs assessment concerning the number of required licensed beds, make recommendations on whether one or more Regional Centers should be closed, and, if so, develop a plan to transition clients.
- The task force must assess whether the State should operate beds licensed under the Home and Community-Based Services for Persons with Developmental Disabilities Waiver Program and develop a strategic plan for the future use of Regional Centers, including the most efficient use of building space and staffing.

(Regional Centers for People with Developmental Disabilities, Performance Audit, November 2013, Department of Human Services)

House Bill 14-1300—General Fund Transfer to Colorado State Fair Authority Cash Fund

- Transfers funds to the Colorado State Fair Authority Cash Fund to renovate and improve facilities at the Colorado State Fairgrounds in Pueblo and to pay for associated program costs. The facilities are used in programs with state 4-H clubs and the Colorado Association of the National Future Farmers of America Organization. The State Fair Authority also received an additional appropriation from the General Fund for Fiscal Year 2015 through the Long Appropriations Bill for 4-H and Future Farmers of America programs.

(Colorado State Fair Authority, Financial and Compliance Audit, Fiscal Years Ended June 30, 2013 and 2012)

Reports and Other Work Products Released in Fiscal Year 2014

Reports and other work products can be requested by phone at 303.869.2800 or accessed via the OSA's website at: www.state.co.us/auditor.

<u>Report Name</u>	<u>Report Type</u>	<u>Report No.</u>
<i>Colleges and Universities</i>		
Adams State University, Fiscal Years Ended June 30, 2013 and 2012	Financial	1316F
Auraria Higher Education Center, Fiscal Years Ended June 30, 2013 and 2012	Financial	1315F
Colorado Community College System, Fiscal Years Ended June 30, 2013 and 2012	Financial	1322F
Colorado Mesa University, Fiscal Years Ended June 30, 2013 and 2012	Financial	1311F
Colorado School of Mines, Fiscal Years Ended June 30, 2013 and 2012	Financial	1319F
Colorado State University–Global Campus, Fiscal Years Ended June 30, 2013 and 2012	Financial	1353F
Colorado State University System, Fiscal Years Ended June 30, 2013 and 2012	Financial	1321F
Fort Lewis College, Fiscal Years Ended June 30, 2013 and 2012	Financial	1317F
Metropolitan State University of Denver, Fiscal Years Ended June 30, 2013 and 2012	Financial	1314F
National Collegiate Athletic Association Financial Data, Fiscal Year Ended June 30, 2013	Other	1349S



<u>Report Name</u>	<u>Report Type</u>	<u>Report No.</u>
University of Colorado, Fiscal Years Ended June 30, 2013 and 2012	Financial	1323F
University of Northern Colorado, Fiscal Years Ended June 30, 2013 and 2012	Financial	1320F
Western State Colorado University, Fiscal Years Ended June 30, 2013 and 2012	Financial	1303F
<i>Department of Agriculture</i>		
Colorado State Fair Authority, Fiscal Years Ended June 30, 2013 and 2012	Financial	1312F
<i>Department of Education</i>		
Public School Capital Construction Assistance Program, September 2013	Performance	2200
School Capitol Construction Report, January 2014	Other	1352S
School Meal Program, January 2014	Performance	1302P
<i>Department of Higher Education</i>		
CollegeInvest, College Savings Program Funds, Fiscal Years Ended June 30, 2013 and 2012	Financial	1309F-B
CollegeInvest, Prepaid Tuition Fund, Fiscal Years Ended June 30, 2013 and 2012	Financial	1309F-A
Colorado Student Loan Program, dba College Assist, Fiscal Years Ended June 30, 2013 and 2012	Financial	1324F

<u>Report Name</u>	<u>Report Type</u>	<u>Report No.</u>
Higher Education TABOR Enterprise Status, Fiscal Year Ended June 30, 2013	Financial	1343F
<i>Department of Human Services</i>		
Colorado State Veterans Center at Homelake, Fiscal Year Ended June 30, 2013	Financial	1307F
Regional Centers for People with Developmental Disabilities, November 2013	Performance	2202
Vocational Rehabilitation Program, November 2013	Performance	1338P
<i>Department of Military and Veterans Affairs</i>		
Veterans Trust Fund Grant Program, May 2014	Performance	1340P
<i>Department of Natural Resources</i>		
Dam Safety Program, February 2014	Performance	1347P
<i>Department of Public Health and Environment</i>		
Medical Marijuana Regulatory System (Part II), June 2013	Performance	2194B
Colorado HIV and AIDS Prevention Grant Program, July 2013	Performance	2201



<u>Report Name</u>	<u>Report Type</u>	<u>Report No.</u>
<i>Department of Revenue</i>		
Colorado Lottery, Fiscal Years Ended June 30, 2013 and 2012	Financial	1313F
Colorado Lottery, August 2013	Performance	2205
Division of Gaming, Fiscal Years Ended June 30, 2013 and 2012	Financial	1304F
Property Tax, Rent, and Heat Rebate Program, August 2013	Performance	2204
<i>Department of Transportation</i>		
Colorado Bridge Enterprise, Fiscal Year Ended June 30, 2013	Financial	1306F
Colorado High Performance Transportation Enterprise, Fiscal Year Ended June 30, 2013	Financial	1305F
<i>Department of Treasury</i>		
Statement of Federal Land Payments, Fiscal Year Ended September 30, 2013	Financial	1301S
<i>Judicial Branch</i>		
Victim's Restitution, April 2014	Performance	2197P

<u>Report Name</u>	<u>Report Type</u>	<u>Report No.</u>
<i>Legislative Branch</i>		
Legislative Department, Fiscal Years Ended June 30, 2013 and 2012	Financial	1332F
<i>Local Governments</i>		
Fiscal Health Analysis of Colorado School Districts, July 2013	Other	2127-13
Fiscal Health Analysis for Colorado Counties and Municipalities, October 2013	Other	2129-13
<i>Other Entities</i>		
Colorado Public Employees' Retirement Association, Fiscal Year Ended December 31, 2012 ¹	Financial	2067-13
Pinnacol Assurance, Fiscal Years Ended December 31, 2013 and 2012	Financial	1410F
State Board of the Great Outdoors Colorado Trust Fund, Fiscal Years Ended June 30, 2013 and 2012	Financial	1308-13
<i>State of Colorado (All Agencies)</i>		
Annual Report of Audit Recommendations Not Fully Implemented, October 2013	Other	1337S
Cash Funds Uncommitted Reserves Report, Fiscal Year Ended June 30, 2013	Performance	1334P



<u>Report Name</u>	<u>Report Type</u>	<u>Report No.</u>
Information Technology in Colorado State Government, August 2013	Other	1339-I
Schedule of Computations Required Under Article X, Section 20, of the State Constitution (TABOR), February 2014	Financial	1301F-A
Schedule of TABOR Revenue, September 2013	Performance	1304P
Statewide Single Audit, Fiscal Year Ended June 30, 2013 ²	Financial	1301F

Notes:

¹The Colorado Public Employees' Retirement Association's (PERA) Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended December 31, 2012, was prepared by PERA and audited by an independent CPA firm under contract with the OSA. PERA's CAFR is available on the OSA's website.

²The State of Colorado's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2013, was prepared by the Office of the State Controller and audited by the OSA as part of its Statewide Audit. The State's CAFR is available on the OSA's website.



We Set the Standard for Good Government

Colorado Office of the State Auditor

State Services Building
1525 Sherman Street, 7th Floor
Denver, Colorado 80203

Phone: 303.869.2800
E-mail: osa.ga@state.co.us
Website: www.state.co.us/auditor