



OFFICE OF THE STATE AUDITOR



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Auditor Puts Rare Disclaimer of Opinion on Parts of Colorado's Annual Financial Report

DENVER—the Office of the State Auditor (OSA) has released Volume One of its annual statewide financial and compliance audit for Fiscal Year 2020, which focuses on the State of Colorado's financial statements. In a rare move, the State Auditor put a disclaimer of opinion—meaning that she expressed no opinion—on the State's Unemployment Insurance Fund and Business-Type Activities. The Unemployment Insurance Fund is considered a “major fund” for the State and is also combined with other major funds in the Business-Type Activities. All other aspects of the State's financial statements, including the General Fund, and the Highway Users Tax Fund, and the related governmental activities, a combination of these funds, were presented fairly in all material respects.

The audit found that a significant backlog of unprocessed and un-adjudicated unemployment insurance claims existed as of June 30, 2020 and through the duration of the audit, concluding on March 5, 2021, which may represent overpayments due to errors and/or fraud. The State did not have an adequate method to determine the estimated amount of the unemployment overpayments and potential claims that still need to be paid, as well as potential amounts due back to the federal government within the Unemployment Insurance Fund as of June 30, 2020. As a result, the auditors

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could not conclude that the Unemployment Insurance Fund and Business-Type Activities were, or were not, materially misstated.

The State has experienced dramatic increases in unemployment claims being filed and paid, federal dollars flowing through the unemployment insurance program, and fraudulent activity, all at the same time that a new unemployment benefits system was being implemented. “There’s no question that the pandemic has presented many challenges for state government, particularly for unemployment insurance. But when the State doesn’t get a clean audit opinion, that’s a big deal, too,” said Kerri Hunter, Deputy State Auditor.

The State’s financial statements report on about \$46 billion in total assets and about \$39 billion in total expenditures for Fiscal Year 2020. Overall, the audit identified 75 internal control weaknesses over financial reporting (27 material weaknesses and 48 significant deficiencies) at 13 state departments and higher education institutions.

Volume One of the of the OSA’s annual statewide financial and compliance audit is available online at www.colorado.gov/auditor. Volume Two, which will be released in June, will focus on the State’s compliance with federal grant requirements.

About the Office of the State Auditor (OSA)

Under the direction of the State Auditor, the OSA is the State’s nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA also conducts evaluations of the State’s tax expenditures (e.g., credits, exemptions, deductions) established in statute, administers a fraud reporting hotline, and tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law. The OSA’s professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits, evaluations, and other work products that promote accountability and positive change in government.

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