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State Auditor Issues “Clean” Opinion on the State’s Financial Statements

DENVER—The Office of the State Auditor (OSA) has issued its annual Statewide Single Audit for the Fiscal Year Ended June 30, 2023. The State Auditor issued an unmodified, or “clean,” opinion on the State’s Fiscal Year 2023 financial statements, which means that the financial statements are presented fairly, in all material respects, and that the financial position, results of all financial operations, and cash flows reported by the State are in conformance with generally accepted accounting principles. The State’s financial statements covered \$62.7 billion in total assets and \$48.7 billion in total expenditures.

The audit also evaluated the State’s compliance with major federal program requirements. The State expended about \$19.5 billion in federal funds in Fiscal Year 2023, of which the largest component was \$8.6 billion for Medicaid.

Overall, auditors made a total of 161 recommendations to state departments and higher education institutions to strengthen internal controls over financial reporting and improve compliance with federal grant requirements. Specifically, auditors identified 108 internal control weaknesses over financial reporting at 20 state departments and higher education institutions. These included 42 material weaknesses, which are the most serious level of internal control weakness. Material weaknesses involve a deficiency, or combination of deficiencies, that create a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis. Additionally, auditors identified 63 internal control issues related to compliance with requirements applicable to federal programs.

During the Legislative Audit Committee’s public hearing on February 27, auditors discussed three recommendations directed to the Office of the State Controller. The recommendations were

intended to address problems the audit found with financial reporting, compilation of federal award data, and treatment of Health Insurance Affordability Revenue under the Taxpayer's Bill of Rights. For example, the Office of the State Controller allowed state agencies to record \$16.2 billion in transactions to the State's accounting system up to 5 months past the Office's statutory deadline.

During the hearing, auditors also discussed a recommendation directed to the Department of Military and Veterans Affairs related to compliance with spending authority requirements. The Department spent nearly \$2.7 million from the Real Estate Proceeds Cash Fund from Fiscal Years 2021 through 2023 without obtaining the General Assembly's approval through the appropriations process.

The full report is available @ www.colorado.gov/auditor.

About the Office of the State Auditor

Under the direction of the State Auditor, the OSA's nonpartisan, professional staff promote government accountability by conducting independent performance, financial, and IT audits and evaluations of state agencies, departments, and institutions of higher education; conducting independent evaluations of the State's tax expenditures (e.g., credits, exemptions, deductions); tracking about 4,000 Colorado local governments for compliance with the Local Government Audit Law; and operating a statewide fraud reporting hotline.

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