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ANNUAL FINANCIAL AND COMPLIANCE AUDIT FINDS 17 “MATERIAL WEAKNESSES” AND QUESTIONS \$440,000 IN COSTS RELATED TO FEDERAL AWARDS

DENVER— The Colorado Office of the State Auditor (OSA) has issued its Statewide Single Audit for Fiscal Year 2014, an annual audit that reviews the State of Colorado’s financial statements and compliance with requirements for major federal programs.

Auditors classified their findings by three levels of severity, the most serious of which is called a “material weakness.” The Fiscal Year 2014 audit reported 17 total material weaknesses at seven state agencies.

In addition, the audit identified nearly \$440,000 in questioned costs related to federal awards granted to the State, up from \$145,000 in questioned costs in 2013. The State expended approximately \$10.9 billion in federal funds in Fiscal Year 2014. The four largest federal programs were: Medicaid (\$3.5 billion), Student Financial Assistance (\$1.4 billion), Supplemental Nutrition Assistance Program (\$840 million), and Unemployment Insurance (\$799 million).

Examples of problems discussed in the audit included the following:

- **Department of Personnel & Administration and the Office of the State Controller**—Central Payroll staff have not reconciled quarterly Form 941 reports submitted to the IRS with underlying worksheets, tracking spreadsheets, and supporting documentation.
- **Department of Human Services**—The audit identified problems with transactions for the Veterans Community Living Centers recorded on the State’s accounting system and reconciliations between the internal billing system and the State’s accounting system.

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- **Department of Health Care Policy and Financing**—The Department had problems with eligibility determinations for both the Medicaid and the Children’s Basic Health Plan (CBHP) programs, in which case file documentation was lacking or missing entirely from the reviewed case files.

Representatives from these agencies are scheduled to appear before the Legislative Audit Committee at public hearings on February 10 (Department of Personnel & Administration, and Office of the State Controller), February 24 (Department of Human Services) and March 10 (Department of Health Care Policy and Financing). Each hearing begins at 7:00 a.m.

As part of this audit, the OSA issued an “unqualified opinion” on the State’s financial statements, which 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.

The full report is available electronically on the OSA’s website, <http://www.state.co.us/auditor>, via the link called “OSA Audit Reports.” In accordance with state statute, the Legislative Audit Committee released the audit by a majority vote during a public hearing.

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’s professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state’s basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state’s critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.