



OFFICE OF THE STATE AUDITOR



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LACK OF CONTROLS OVER SOME MONEY USED TO ADMINISTER GAMING

DENVER—the Colorado Office of the State Auditor (OSA) has released a performance audit that reports a lack of certain controls by the Division of Gaming and the Colorado Limited Gaming Control Commission over the costs to administer gaming in the state. The audit noted that the Division and Commission did not have policies and processes to oversee \$4.4 million in funding awarded to other state agencies to help administer and regulate gaming.

The Commission administers and regulates gaming in Colorado, including promulgating rules, issuing licenses, levying fines, and establishing fees and taxes, while the Division is responsible for the day-to-day regulation of gaming, including processing licenses, conducting audits, overseeing gaming technology and devices, and patrolling gaming establishments. Revenue generated from gaming taxes, fees, and fines is used to pay for administering and regulating gaming. Between Fiscal Years 2013 and 2017, an average of \$14 million annually was used to pay the Division's and other state agencies' costs for gaming administration and regulation, and an average of \$98 million was distributed to beneficiaries.

Auditors found that in Fiscal Year 2017 the Commission paid \$4.4 million to four agencies through interagency agreements: Colorado State Patrol, the Colorado

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Bureau of Investigation, the Division of Fire Prevention and Control, and the Department of Local Affairs, to help administer and regulate gaming.

However, the agreements lacked specific descriptions of the services the agency would provide and measures the agency would use to report on their performance and the Commission would use to monitor the agreements. Auditors found that the lack of specified services and measures could lead to agencies using approved funding in a different manner than intended by the Commission.

Auditors also found that the Commission and the Division did not enforce reporting requirements included in the interagency agreements prior to paying agencies the full amounts they had invoiced the Commission. In Fiscal Year 2017 the Commission paid one agency about \$3.2 million without having specified what information the agency should report regarding its use of the funds; two other agencies about \$1.1 million without obtaining required reports on their activities; and the fourth agency about \$161,000, even though all the required reports were submitted late.

The audit makes two recommendations.

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

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.