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State Auditor Issues a Clean Audit Opinion on State's Financial Statements

DENVER—The Office of the State Auditor (OSA) has released Volume One of its annual statewide financial and compliance audit for Fiscal Year 2021, which focuses on the State of Colorado's financial statements. The OSA issued an unmodified or "clean" audit opinion, which means that auditors determined the financial statements are presented fairly, in all material respects, and that the financial position, results of all financial operations, and cash flows are in conformance with generally accepted accounting principles. The State's Fiscal Year 2021 financial statements covered nearly \$57 billion in total assets and just over \$46 billion in total expenditures.

Despite issuing a clean opinion, auditors still identified internal control weaknesses over financial reporting at 19 state departments and higher education institutions. One of the more significant audit findings is that the Office of the State Controller (OSC) did not have sufficient procedures to identify and correct errors when preparing the State's financial statements and issuing the Annual Comprehensive Financial Report. As a result of nearly \$4 billion in subsequent adjusting entries made by state agencies and the OSC, the final Annual Comprehensive Financial Report issued by the OSC on January 31, 2022, materially differed from the financial statements presented to the Governor and the General Assembly on September 20, 2021. Furthermore, 17 days after the OSC issued the final Annual Comprehensive Financial Report on January 31, 2022, the OSC identified a misclassification of net position to the State's financial statements. This misclassification resulted in a \$2.1 billion understatement of *Net Investment in Capital Assets* and a corresponding \$2.1 billion overstatement of *Unrestricted Net Position*. The OSC subsequently corrected the financial statements, and auditors performed additional audit procedures over these revisions.

"The purpose of the financial statements and Annual Comprehensive Financial Report is to provide timely information about the State's operations, financial position, and cash flows. There is a greater risk that the financial information decision-makers rely upon could be delayed or inaccurate when accounting records are not closed in a timely manner, there are significant transactions recorded

after the fact, and insufficient review procedures are performed prior to finalization,” said Marisa Edwards, Deputy State Auditor.

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’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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