



OFFICE OF THE STATE AUDITOR



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MANAGEMENT OF FEDERAL AWARD MONEY AN ISSUE AT SOME STATE AGENCIES

DENVER—the Office of the State Auditor (OSA) has released the second and final part of its annual Statewide Single Audit and has found significant issues at the Department of Health Care Policy and Financing (HCPF) and at the Department of Corrections (Corrections). The OSA identified a number of Material Weaknesses at both departments related to the handling of federal awards grants. A Material Weakness is the most serious level of internal control weakness auditors can uncover.

Some of the issues found at HCPF included errors in its Medicaid controls over eligibility determinations. Of the 200 case files tested, 56 were found to contain errors. As a statistically valid sample, the OSA was able to project this data to the nearly one million beneficiaries and estimated with 95 percent confidence that at least \$30 million was spent on claims for individuals who were ineligible for Medicaid benefits. Included in the report is a discussion of HCPF's perspective that the estimated amount is a mathematical calculation of costs that does not represent actual money or potential savings.

Other problems included issues with interChange, the system used to make payments to providers, compliance with federal and state Medicaid

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regulations over provider eligibility, and health and safety surveys of nursing facilities where one third of facilities were not surveyed within the 15-month regulatory timeframe.

Many of the issues found at Corrections centered on its federally funded Training Center at Cañon City, Colorado, which provides training on institutional management, emergency management, prison industries, armed and high-risk prisoner transport, and intelligence for correctional officials from international partnering countries such as Mexico, Pakistan, Afghanistan, and Jamaica. However, the OSA found issues with the Training Center's cash management, reporting of expenditures, and allowable expenses.

Since 1984, the federal Single Audit Act has required states and other entities that receive federal funding to report out on their financial records and statements, and their federal awards transactions and expenditures, to give the public a snapshot of where the state receives its funding from, where it spends those funds, and how it manages them.

The Statewide Single Audit for Fiscal Year 2018 reviews the State of Colorado's financial statements covering \$39.8 billion in assets and \$37.3 billion in expenditures. The audit also reviews the State's compliance with requirements for major federal programs, which expended \$12.7 billion over the same period. The four federal programs in the State of Colorado with the largest expenditures this year were:

- Medicaid: \$5.5 billion
- Student Financial Assistance: \$1.4 billion
- Research and Development Cluster: \$891 million
- Highway Planning and Construction: \$751 million

The audit makes 67 recommendations to departments across the spectrum of state government.

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.