



OFFICE OF THE STATE AUDITOR



FOR IMMEDIATE RELEASE

Contact: Stelios Pavlou (303) 869-2833
stelios.pavlou@state.co.us

DIANNE E. RAY, CPA
STATE AUDITOR

June 6, 2016

COLORADO STATEWIDE AUDIT MAKES 63 RECOMMENDATIONS ON FINANCIAL AND FEDERAL PROGRAM ISSUES

DENVER—The Colorado Office of the State Auditor (OSA) has issued its Statewide Single Audit for Fiscal Year 2015, an annual audit that reviews the State of Colorado’s financial statements covering \$35.7 billion in assets and \$29.2 billion in expenditures. The audit also reviews the State’s compliance with requirements for major federal programs, which expended \$11.5 billion over the same period. The OSA issued an “unmodified opinion,” which means the State’s financial statements presented fairly in all material respects.

However, the OSA found 63 internal control issues related to the State’s financial reporting and issues related to compliance with major federal programs. Auditors classify their findings by three levels of severity, the most serious of which is called a “material weakness.” This year the OSA found 23 total material weaknesses across eight State agencies, up from 17 in 2014.

In addition, the audit identified over \$1.3 million in questioned costs related to federal awards granted to the State, up from nearly \$440,000 in 2014 and \$145,000 in 2013. The four largest federal programs were: Medicaid (\$4.4 billion), Student Financial Assistance (\$1.4 billion), Highway Planning and Construction (\$837 million), and the Supplemental Nutrition Assistance Program (\$832 million).

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
7TH FLOOR
DENVER, 80203
COLORADO

303.869.2800

Among the numerous issues identified by the OSA, many related to the State's new financial accounting system CORE (Colorado Operations Resource Engine). including:

Office of the Governor—

- The OSA found that expenditures for CORE totaling approximately \$5 million were incorrectly capitalized when they should have been expensed, resulting in an overstatement in its accounting records. About \$718,000 was eventually corrected, but the Office still has not corrected the remaining errors.
- Depreciation expense for CORE was understated by \$1.2 million.
- Revenue was miscalculated, with \$832,000 in TABOR revenue incorrectly recorded as non-TABOR revenue.

Department of Personnel & Administration's Office of the State Controller (OSC)—

- InfoAdvantage financial reports from CORE were not adequately designed, tested, and validated to ensure the contents of the reports were accurate and sufficient to satisfy the needs of State agency/department staff, management, or OSC staff.
- CORE was unable to capture timely or accurately distribute payroll costs among the State's programs. Further, systems implemented by the State as a temporary solution initially did not work as intended, and the OSC did not sufficiently test the systems prior to the implementation of CORE. As a result, the OSC missed its statutory deadline for submitting the State's financial statements to the governor and General Assembly by 4 months.
- Capital assets were not depreciated appropriately, resulting in accounting adjustments totaling over \$840 million.

- Central Payroll Reporting staff made multiple reporting errors and did not otherwise comply with federal payroll regulations during Fiscal Year 2015.

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.