



OFFICE OF THE STATE AUDITOR



FOR IMMEDIATE RELEASE

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

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SERIOUS QUESTIONS ARISE AT OFFICE OF THE STATE CONTROLLER

DENVER—the Office of the State Auditor (OSA) has released the first part of its annual Statewide Single Audit and has found serious issues in the Office of the State Controller's (OSC) preparation of the State's financial statements, statement of cash flows, compliance with Governmental Accounting Standards Board (GASB) statements, and prior period and year-end adjustments among the nine findings the OSA has directed to the department this year. Six of these issues rise to the level of Material Weakness, the most serious level of internal control weakness.

Just a few of the issues identified include: the OSC's financial statements submitted to the governor and General Assembly were missing required information on pension and other postemployment benefit plans, and the OSC did not provide supporting documentation that reconciled the included disclosures to the underlying accounting records. The OSC's Statement of Cash Flows for Proprietary Funds was not presented in accordance with GASB guidance and the OSC had not identified the issues through its reviews. The OSC did not include required details in the note disclosures regarding an investment of approximately \$244.4 million at one of the higher education institutions, or provide any documentation of their analysis for excluding the

DIANNE E. RAY, CPA
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STATE AUDITOR

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

303.869.2800

investment. The OSC also failed to include certain details required by the GASB in the financial statements regarding approximately \$546.3 million in assets held under capital leases. The OSC understated the amount reported as “Cash Payments to Employees” on the Cash Statement by approximately \$663.4 million. The OSC incorrectly reported a \$663.4 million difference between the Cash Statement’s fiscal year-end cash balance and the Balance Sheet’s fiscal year-end cash balance. Additionally, the OSC did not present pension and Other Post Employment Benefits information totaling \$1.6 billion as separate line items on the Cash Statement as required by GASB.

Many of these issues were corrected when the OSA pointed them out to the OSC during the audit; however, the OSA found some staff responsibility lacking. For example, at the end of the audit, one of the OSC staff responsible for key portions of the State’s financial statement preparation process did not sign the required management representation letter, and refused to take responsibility for the information presented in the financial statements.

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 second part of the Statewide Single Audit will be released at the next Legislative Audit Committee on February 26, 2019.

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.