

**COLORADO  
OFFICE OF THE  
STATE AUDITOR**

**ANNUAL REPORT  
FISCAL YEAR 2003**

**LEGISLATIVE AUDIT  
COMMITTEE  
2003 MEMBERS**

**Senator Ron Tupa**  
*Chairman*

**Representative Tambor Williams**  
*Vice-Chairman*

**Senator Norma Anderson**  
**Representative Fran Coleman**  
**Representative Pamela Rhodes**  
**Senator Stephanie Takis**  
**Senator Jack Taylor**  
**Representative Val Vigil**

**Joanne Hill**  
*State Auditor*

## *Role of State Auditor*

The Office of the State Auditor (OSA) is a constitutionally created agency.

*It shall be the duty of the State Auditor to conduct postaudits of all financial transactions and accounts kept by or for all departments, offices, agencies, and institutions of the state government... and to perform related duties with respect to such political subdivisions of the state as shall be required ... by law.*

**Colorado Constitution**

In Fiscal Year 2003 the OSA completed 58 audits of state agencies and institutions of higher education including:

- **Statewide Single and Financial Audit:** This audit ensures the accuracy, fairness, and reliability of the State's financial statements. The Statewide Audit team also audits the Schedule of Computations, which is the State's primary accounting tool for ensuring compliance with the revenue and spending limitations of the Taxpayers' Bill of Rights (TABOR) under Article X, Section 20, of the Colorado Constitution.
- **Financial audits or reviews:** These audits review the financial activities and management practices of the State.
- **Performance audits:** These audits recommend improvements to various state-administered operations and track the implementation of prior audit recommendations.

A complete listing of the audit reports released in Fiscal Year 2003 can be found on pages 5 through 7 of this report.

Additionally, the OSA's Local Government Audit Section reviews financial audits of cities, counties, school districts, authorities, and special districts.

The Legislative Audit Committee (LAC) is a statutory committee of four senators and four representatives with equal representation from the two major political parties. The LAC reviews and releases audit reports, proposes special studies, sponsors legislation recommended by audit reports, and makes a recommendation to the General Assembly every five years regarding the State Auditor's appointment.

## *Office of the State Auditor's Mission*

The OSA's mission is to promote accountability and improve the operation of government by reducing the cost of government, improving the quality of government services, and eliminating unnecessary government functions.

### *Commitment to Improved Performance*

The OSA is committed to producing high-quality audits. The OSA's quality review process includes:

- Conducting follow-up reviews on its audits to track proposed and enacted legislation and to assess the implementation status of past recommendations.
- Performing yearly internal peer reviews of its audits to ensure that audit work complies with generally accepted government auditing standards.
- Contracting for external peer reviews once every three years. The OSA underwent its external peer review this year, which tested the system of quality control for the accounting and auditing practices of the OSA. The review

concluded that the quality control system in effect at the OSA meets statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA).

In June 2003, the Office of the State Auditor received a Certificate of Recognition of Impact from the National Legislative Program Evaluation Society (NLPES) for the Fiscal Year 2003 audit of the Foster Care Program (performance audit #1420).

## *The State Auditor*

Joanne Hill was nominated as State Auditor by the Legislative Audit Committee and unanimously confirmed by the Colorado General Assembly during the 2002 Session. Joanne is a Certified Public Accountant, who also holds a Masters degree in Business Administration and Political Science. She also served as the Colorado Commissioner of Insurance, the Financial Services Director of the Judicial Department, and as Deputy State Auditor. Joanne is a member of the American Institute of CPAs and the Colorado Society of CPAs.

## *Performance Outcomes*

In Fiscal Year 2003, the OSA identified three goals. The goals have been met as follows:

### **GOAL ONE: Provide Value Through Recommendations That Assist Agencies In Improving State Government Services**



*Measure A: Recommendations Accepted by Audited Agencies*

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
GOAL	88%	90%	90%	90%	90%
ACTUAL	88%	81%	87%	88%	83%

*Measure B: Recommendations Implemented by Audited Agencies*

The OSA tracks whether audited agencies implement accepted audit recommendations. Each financial audit reports on the status of prior year recommendations, and follow-up performance audits address whether the most recent audit recommendations have been implemented. Follow-up audits completed in Fiscal Year 2003 suggest that over 60 % of prior audit recommendations reviewed have been fully implemented, and over 80% have been at least partially implemented. The OSA will continue to perform follow-up audits in order to promote full implementation of accepted audit recommendations.

### **GOAL TWO: Provide Value to the General Assembly by Identifying Issues Requiring Statutory Change**

*Legislation Resulting from OSA Audits*

Bills enacted during the 2003 legislative session, related to recommendations made or studies conducted by the OSA:

- S.B. 03-009 Fingerprint-based criminal history record checks for EMTs
- S.B. 03-033 Management of public records
- S.B. 03-050 Licensure of nurses
- S.B. 03-052 Public Safety Communications Trust Fund
- S.B. 03-243 Statewide Travel Management Program Improvements
- H.B. 03-1048 CSOBA Fund transfers and loans
- H.B. 03-1081 Foster Care System Improvements
- H.B. 03-1211 Eliminating central registry of child abuse records
- H.B. 03-1342 Titling registration fees
- H.B. 03-1370 Reviews of trauma facilities

### GOAL THREE: Savings Identified in Audit Recommendations

<i>Savings Identified in Audit Recommendations</i>	
<b>Five-Year Average (Fiscal Years 1999-2003)</b>	
Savings Identified in Audits (in millions)	\$15.2
Net OSA Operating Costs (in millions)*	\$ 4.9
Ratio of Savings to Costs	3:1
* <i>Net operating costs include general fund</i>	

#### *OSA Operating Budget*

In Fiscal Year 2003 the OSA operated on a total budget of about \$7 million, including the Welfare Reform Evaluation appropriation. About one-third of the budget was spent on auditing services provided by private accounting and consulting firms.

#### *Audits Released in Fiscal Year 2003*

Audit reports can be requested by phone at 303.869.2800 or viewed on the Internet at [www.state.co.us/auditor](http://www.state.co.us/auditor).

#### *Financial and Compliance Audits*

- #1451 Auraria Higher Education Center, Fiscal Year Ended June 30, 2002
- #1486 Cash Funds Uncommitted Reserves Report, Fiscal Year Ended June 30, 2002
- #1424 Colorado Community College System, Year Ended June 30, 2002
- #1463 Colorado Lottery, Financial and Compliance Audit, Year Ended June 30, 2002
- #1491 Colorado Lottery, SAS70 Examination of GTECH Colorado, April 1 - June 30, 2002
- #1449 Colorado School of Mines, Fiscal Year Ended June 30, 2002
- #1449A Colorado School of Mines, Auxiliary Bonds, Accountants' Report and Financial Statements, June 30, 2002
- #1449B Colorado School of Mines, Development Corporation, Accountants' Report and Financial Statements for the period of September 7, 2001 to June 30, 2002
- #1441 Colorado State Fair, Financial Statements and Report of Independent Certified Public Accountants, June 30, 2002
- #1452 Colorado State University System, Fiscal Year Ended June 30, 2002
- #1492 Colorado State Veterans Nursing Home - Rifle, June 30, 2002
- #1464A Colorado Student Obligation Bond Authority, Prepaid Tuition Fund, June 30, 2002 and 2001
- #1464B Colorado Student Obligation Bond Authority, Student Loan Program Funds, June 30, 2002 and 2001
- #1462C Colorado Student Obligation Bond Authority, Scholars Choice Fund, June 30, 2002 and 2001
- #1506 Colorado Tourism Office
- #1426 Department of Higher Education, Student Loan Division, June 30, 2002 and 2001
- #1453 Department of Revenue, Division of Gaming, Year Ended June 30, 2002
- #1481 Department of Transportation Funding, November 2002
- #1487 Department of Treasury, Statement of Federal Land Payments, Year Ended September 30, 2002
- #1439 Judicial Department, Office of the Child's Representative, June 30, 2002
- #1433 Public Employees' Retirement Association of Colorado, Financial and Compliance Audit, Year Ended December 31, 2001
- #1488 Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR), December 2002

- #1485 Schedule of TABOR Revenue, September 2002
- #1427 State Board of the Great Outdoors Colorado Trust Fund, June 30, 2002
- #1471 State Colleges in Colorado, June 30, 2002
- #1460 State of Colorado, Statewide Single Audit, Fiscal Year Ended June 30, 2002
- #1430 State of Colorado Deferred Compensation Plan, Year Ended June 30, 2002
- #1423 University of Colorado, Year Ended June 30, 2002
- #1494A University of Colorado, Insurance Pool, June 30, 2002 and 2001
- #1494B University of Colorado, Risk and Insurance Management Fund, June 30, 2002 and 2001
- #1493 University of Colorado Self-Insurance and Risk Management Trust, June 30, 2002
- #1443 University of Northern Colorado, Year Ended June 30, 2002
- #1443A University of Northern Colorado, Student Media Corporation, Year ended June 30, 2002

### *Performance Audits*

- #1428 Beanpole Telecommunication Project, May 2002
- #1261 Evaluation of the Colorado Works Program: Part 1: TANF and Colorado Works Expenditures, Caseload Trends, and TANF-Funded Child Welfare Activities, November 2002
- #1262 Evaluation of the Colorado Works Program: Part 2: Child Care Assistance to Colorado Works and Low Income Families, November 2002
- #1505 Department of Education, Public School Capital Construction Program, May 2003
- #1472 Department of Higher Education, Optional Retirement Plans of Higher Education Institutions, August 2002
- #1490 Department of Higher Education, Personnel Exemption Process, September 2002
- #1456 Department of Human Services, Colorado Trails System, November 2002
- #1455 Department of Human Services, Colorado Works Diversion Program, August 2002
- #1420 Department of Human Services, Foster Care Program, June 2002
- #1419 Department of Human Services, Low-Income Energy Assistance Program, June 2002
- #1480 Department of Local Affairs, Enterprise Zone Program, November 2002
- #1510 Department of Personnel and Administration, Annual Total Compensation Survey, June 2003
- #1554 Department of Personnel and Administration, Division of Central Services, May 2003
- #1462 Department of Personnel and Administration, Division of Information Technologies, Data Center and Statewide Application Systems, April 2002
- #1429 Department of Personnel and Administration, Statewide Travel Management Program, December 2002
- #1435 Department of Public Health and Environment, Colorado Nurse Home Visitor Program, August 2002
- #1502 Department of Public Health and Environment, Consumer Protection Division, May 2003
- #1389 Department of Public Health and Environment, Emergency Medical and Trauma Services Program, July 2002
- #1476 Department of Revenue, Business Tax Audits, January 2003
- #1473 Department of Revenue, Colorado State Titling & Registration System, July 2002
- #1467 Division of Information Technologies, Evaluation of Network Services, September 2002
- #1504 Indigent Defense, February 2003
- #1477 Inmate Restitution and Child Support, March 2003
- #1458 License Plate Management System, July 2002
- #1468 University of Colorado Investment Program, July 2002

**OFFICE OF THE STATE AUDITOR**  
**Legislative Services Building**  
**200 East 14<sup>th</sup> Avenue**  
**Denver, Colorado 80203-2211**

**PHONE: 303.869.2800**  
**FAX: 303.869.3060**  
**EMAIL: [osa.ga@state.co.us](mailto:osa.ga@state.co.us)**  
**WEBSITE: [www.state.co.us/auditor](http://www.state.co.us/auditor)**