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DEPARTMENT OF STATE FEE HOLIDAYS RESULTED IN INEQUITIES FOR BUSINESSES

DENVER— The Colorado Office of the State Auditor (OSA) has issued an audit of the Department of State (Department), looking at multiple aspects of its operations.

The Department is primarily funded via business filing fees, which comprised between 74 and 86 percent of the Department’s total annual revenue in Fiscal Years 2010 through 2014. Auditors found that the Department did not identify and establish appropriate fee levels for business registration and filing fees charged in Fiscal Years 2012 through 2014, to ensure that fee revenue approximated its costs. “The Department’s fee setting practices effectively subsidized the fees paid by businesses filing during the Department’s fee holidays with fees paid by businesses filing outside of the fee holidays,” said Jarrett Ellis, Legislative Audit Supervisor. Auditors also found that the Department lacked adequate written procedures to establish, review, and approve budgets.

The audit also found that there is no statutory definition of the structure and oversight of the Department’s Business Intelligence Center (Center) to ensure effective management, accountability, and transparency of Center operations. The Department established the Business Intelligence Center in Fiscal Year 2014 to consolidate public data relevant to businesses on a single platform and provide the tools to make this data useful for the business community. Auditors found that the Center program lacks formal oversight, structure, and documented policies, procedures and processes. As a result, auditors were unable to determine if the Center was meeting Department goals and program objectives. Further, auditors found that the Department did not ensure its Agency Cyber Security Plan was approved by the Governor’s Office of Information Technology’s Chief Information Security Officer, within the required

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deadlines, and has also not formalized a service level agreement with the Governor's Office of Information Technology (OIT) to ensure that IT services provided by OIT are meeting the Department's needs. "The lack of approved information security policies and service level agreements can affect the Department's ability to mitigate security risks within SCORE, which is the Statewide Colorado Voter Registration and Election System," said Kiran Keshav, Legislative IT Auditor. This is of particular concern since the SCORE system, which is used by both the Department and county clerks to carry out their responsibilities related to state and federal elections, falls under the Department's authority.

The audit makes four recommendations.

The full report is available electronically on the OSA's website, <http://www.state.co.us/auditor>, via the link called "OSA Audit Reports."

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.