

REPORT HIGHLIGHTS



SCHEDULE OF TABOR REVENUE, FISCAL YEAR 2016 OFFICE OF THE STATE CONTROLLER
PERFORMANCE AUDIT, OCTOBER 2016

CONCERN

The Office of the State Controller (OSC) did not close the Fiscal Year 2016 accounting records on time, which resulted in insufficient time for review prior to issuing the September 1 certification of TABOR revenue. Additionally, the guidance provided to departments was inconsistent.

KEY FACTS AND FINDINGS

- The OSC is statutorily required to close the State's accounting records each year by August 4. For Fiscal Year 2016, the books were not closed until August 26, which left insufficient time for departments and the OSC to make adjustments and correct errors before the statutorily-required September 1 certification of TABOR revenue.
- Subsequent to the September 1 certification, errors were identified at one department that resulted in a \$23 million decrease in TABOR revenue for Fiscal Year 2016 and a \$28 million decrease in TABOR revenue from prior years.
- The OSC recertified TABOR revenue on September 15. The recertification included the adjustment noted above but did not include approximately \$9.7 million in additional adjustments to TABOR revenue posted to the State's accounting system subsequent to the September 1 certification.
- At the time audit work ended on September 15, there were five departments still in the process of reviewing and adjusting their Fiscal Year 2016 revenue activity which may result in additional changes to TABOR revenue.
- The OSC relies on variance analysis reports and exhibits submitted by departments to certify TABOR revenue. The OSC communicated key dates to departments in May 2016. However, the OSC provided inconsistent guidance to departments regarding the due dates for variance analysis reports. This impacted the amount of time available for the OSC to review TABOR revenue prior to the September 1 certification.

BACKGROUND

Schedule of TABOR Revenue:

- The Taxpayer's Bill of Rights (TABOR) was added to the Colorado Constitution in the November 1992 general election.
- TABOR limits are increased based on the annual inflation rate plus the percentage change in Colorado's population growth rate.
- The OSC was required to certify TABOR revenue to the Governor, General Assembly, and the Executive Director of the Department of Revenue no later than September 1, 2016.
- The Office of the State Auditor was required to audit the TABOR Financial Report by September 15, 2016.
- The OSC recertified TABOR revenue on September 15, 2016 due to identified adjustments.

KEY RECOMMENDATIONS

The Office of the State Controller (OSC) should:

- Close accounting periods in a timely manner and in accordance with state statutes.
- Work with departments prior to the close of the fiscal year to provide consistent guidance and allow sufficient time for review of TABOR revenues to ensure that accurate revenue information is used to prepare the TABOR Financial Report

The OSC agreed with these recommendations.