

**COLORADO
OFFICE OF THE
STATE AUDITOR**

**ANNUAL REPORT
FISCAL YEAR 2001**

**LEGISLATIVE AUDIT COMMITTEE
2001 MEMBERS**

Representative Fran Coleman
Chairman

Senator Jack Taylor
Vice-Chairman

Senator Norma Anderson
Representative Glenn Scott
Senator Stephanie Takis
Senator Ron Tupa
Representative Val Vigil
Representative Tambor Williams

J. David Barba
State Auditor

Role of State Auditor

The Office of the State Auditor is a constitutionally created agency that was formed to provide information to the General Assembly and the citizens of Colorado.

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 2001 the OSA completed 67 audits, 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 required under Article X, Section 20 of the Colorado Constitution (TABOR).
- **Thirty-eight financial/compliance audits or reviews:** These audits provide a more detailed review of the financial activities and management practices of the State. These audits are conducted by OSA staff and by private CPA firms through contracts.
- **Twenty-eight 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 2000 can be found on pages 6 through 8 of this report.

Additionally, the OSA's Local Government Audit Section reviews financial audits of cities, counties, school districts, 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, and makes a recommendation to the General Assembly every five years regarding the State Auditor's appointment.

Office of the State Auditor's Mission

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.

The OSA works to meet its mission by:

- Conducting audits of state agencies and institutions of higher education.
- Responding to the needs of the General Assembly and the Legislative Audit Committee.
- Striving for cooperative, collaborative relationships with audited agencies, other governmental entities, and private agencies.
- Emphasizing objectivity and independence, while avoiding partisanship, preconceived conclusions, and presumptions of fact.
- Adhering to the highest professional standards.

Commitment to Improved Performance

The OSA works to strengthen its standard of high quality by:

- 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 received an unqualified opinion on its 2000 external peer review, indicating that the OSA met the objectives set forth in the Quality Control Peer Review Guidelines and complied with generally accepted government auditing standards promulgated by the U.S. General Accounting Office. The next review will be conducted in 2003.

Performance Outcomes

In Fiscal Year 2001, 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>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
GOAL	85%	88%	90%	90%	90%
ACTUAL	88%	88%	81%	87%	N/A

*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 any 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 2001 suggest that about 49% of prior audit recommendations have been fully implemented, and approximately 85% have been 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**

Measure: Legislation Resulting from OSA Audits

Bills enacted during the 2001 Legislative Session resulting, in part, from recommendations made or studies conducted by the OSA:

- S.B.01-20 - Identification of Public Depository Accounts
- S.B.01-49 - Preschool Program Community Providers

- S.B.01-52 - Changes to the Children's Basic Health Plan
- S.B.01-78 - Improving Quality of Care in Nursing Facilities
- S.B.01-120 - New Definition of "Significant Family Risk Factors" for the Colorado Preschool Program
- S.B.01-123 - Expenditure of a Portion of a School District's Per Pupil Operating Revenues for the School District's Preschool Program
- S.B.01-171 - Records to be Maintained for Construction Projects Under the Supervision of Certain State Agencies
- H.B.01-1031 - Cease and Desist Authority to the Commissioner of Securities
- H.B.01-1032 - Protection of Water Quality by Increasing the Efficiency of Discharge Permitting
- H.B.01-1040 - Penalties for False Medicaid Claims
- H.B.01-1041 - Duties of the Colorado Department of Education in Providing Oversight of the Colorado Preschool Program
- H.B.01-1212 - Remittance of Sales Tax through Electronic Fund Transfers
- H.B.01-1279 - Changes to Boiler Inspection Fees

In August 2001, the Office of the State Auditor received a Certificate of Recognition of Impact from the National Legislative Program Evaluation Society for the Fiscal Year 2000 audit of the Colorado Preschool Program (Performance Audit #1231). The audit was used by the Colorado Department of Education to improve program policy, procedures, and training. Additionally, the audit generated four bills that were passed during the 2001 legislative session. These bills improve accountability for program funds, expand Departmental oversight of the program, clarify eligibility criteria, and require periodic assessment of provider availability.

**GOAL THREE:
Ensure that the Savings Identified in Audit
Recommendations Exceed the Cost of Audits**

Measure: Savings Identified in Audit Recommendations (in millions)

Measure 2001)	Five-Year Average (Fiscal Years 1997-
Savings Identified in Audits (in millions)*	\$ 11.0
Net OSA Operating Costs (in millions)	\$ 4.3
Ratio of Savings to Costs	2.6:1

* Net operating costs include general fund appropriation less general fund reversions.

OSA Operating Budget

In Fiscal Year 2001 the OSA:

- Received general fund appropriations of approximately \$6.1 million.
- Reverted about \$537 thousand in unspent appropriations to the General Fund.
- Billed for approximately \$799 thousand in reimbursements from state and federal agencies for auditing services rendered.
- Contracted for over \$2.7 million in auditing services from private accounting and consulting firms.
- Employed about 60 FTE who performed audit, management, and administrative functions.

***Audits Released in
Fiscal Year 2001***

Audit reports can be requested by phone at (303) 866-2051, or on the Internet at www.state.co.us/auditor.

Financial and Compliance Audits

- #1377 Amendment 23, Economic Modeling for Decision Makers, February 2001
- #1291 Auraria Higher Education Center, June 2000

#1291A Auraria Higher Education Center: Student Fee Revenue Refunding Bonds, Series 1996 and 1991A, June 2000

#1291B Auraria Higher Education Center: Parking Facilities System Refunding Revenue Bonds, Series 1993, June 2000

#1341 Cash Funds Uncommitted Reserves, June 2000

#1188 Colorado Compensation Insurance Authority, d.b.a. Pinnacol Assurance, December 1999 and 1998

#1283 Colorado Lottery, June 2000 and 1999

#1302 Colorado School of Mines, June 2000

#1302A Colorado School of Mines Auxiliary Bonds, June 2000

#1322 Colorado State Fair Authority, June 2000

#1293 Colorado State University System, June 2000

#1332A Colorado Student Obligation Bond Authority, Prepaid Tuition Fund, June 2000

#1332B Colorado Student Obligation Bond Authority, Student Loan Program Funds, June 2000

#1332C Colorado Student Obligation Bond Authority, Scholars Choice Fund, June 2000

#1331 Colorado Travel and Tourism Authority and the Colorado Tourism Board, Close-Out Audit, September 2000

#1289 Colorado Uninsurable Health Insurance Plan, Review of the Financial Projections and the Impact of State and Federal Legislation on the Plan, July 2000

#1292 Community Colleges of Colorado, June 2000

#1284 Department of Higher Education, Student Loan Division, June 2000 and 1999

#1275 Department of Human Services, County Financial Management System, June 2000

#1281 Department of Personnel, Employee Benefits Unit, Deferred Compensation Plan, June 2000 and 1999

#1296 Department of Revenue, Division of Gaming, June 2000

#1380 Department of Treasury, Statement of Federal Land Payments, September 2000

#1400 Overexpenditure of Medicaid Funds, May 2000

#1280 Public Employees' Retirement Association of Colorado, December 1999

- #1342 Schedule of Computations Required Under Article X, Section 20 of the State Constitution, (TABOR), November 2000
- #1340 Schedule of TABOR Revenue, September 2000
- #1282 State Board of the Great Outdoors Colorado Trust Fund (GOCO), June 2000
- #1328 State Colleges in Colorado, June 2000
- #1273 State of Colorado, Statewide Single Audit, June 2000
- #1304 Trinidad State Nursing Home, June 2000
- #1294 University of Colorado, June 2000
- #1287 University of Colorado Self-Insurance and Risk Management Trust, June 2000
- #1288A University of Colorado Insurance Pool, June 2000 and 1999
- #1288B University of Colorado Risk and Insurance Management Fund, June 2000 and 1999
- #1299 University of Northern Colorado, June 2000
- #1299A University of Northern Colorado, KUNC FM 91.5, June 2000
- #1299B University of Northern Colorado, Laboratory School, June 2000
- #1299C University of Northern Colorado, Student Media Corporation, June 2000 and 1999
- #1300 University of Southern Colorado Bond Funds, June 2000 and 1999

Performance Audits

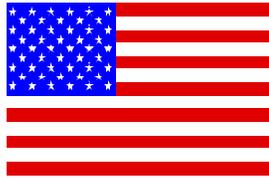
- #1315 Alcohol and Drug Abuse Division, Prevention and Treatment Programming for Juveniles, February 2001
- #1318 Arapahoe Community College, Student FTE Enrollment, August 2000
- #1257 Capital Construction Contingency Funds, May 2000
- #1278A Colorado Information Technology Services Data Center and Statewide Application Systems, Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness, April 2000
- #1259B Colorado Works Program Evaluation, Second Annual Report, November 2000
- #1277 Department of Agriculture, February 2001

#1324	Department of Corrections, Transportation of Inmates, December 2000
#1225	Department of Health Care Policy & Financing, Children's Basic Health Plan, July 2000
#1225B	Department of Health Care Policy & Financing, Children's Basic Health Plan Claims Audit, July 2000
#1334	Department of Health Care Policy and Financing, Medicaid Management Information System, May 2001
#1320	Department of Health Care Policy and Financing and the Department of Public Health and Environment, Nursing Facility Quality of Care, September 2000
#1237	Department of Natural Resources, Division of Parks and Outdoor Recreation, July 2000
#1374	Department of Personnel, May 2001
#1344	Department of Personnel, Annual Total Compensation Survey, June 2001
#1326	Department of Personnel/GSS, Division of Administrative Hearings, November 2000
#1313	Department of Personnel/GSS, Financial Management of Network Services, Colorado Information Technology Services, August 2000
#1272	Department of Regulatory Agencies, Division of Securities, July 2000
#1239	Division of Banking, Public Deposit Protection Act Program, March 2000
#1336	Postsecondary Programs for High School Students, June 2001
#1329	Pueblo Community College, Student Full-Time Equivalent Enrollments, December 2000
#1325	State Board of Land Commissioners, November 2000
#1279	Treasurer's Office, Interest-Free School Loan Program, August 2000
#1270	Water Quality Control Division, August 2000

Follow-Up Performance Audits

#1101-F1	Evaluation of Actions Taken, 1998 Division of Housing Performance Audit, November 1999
#1122-F1	Evaluation of Actions Taken, 1999 Child Support Enforcement Performance Audit, May 2000

- #1343-F1 Evaluation of Actions Taken, 1999 Department of Revenue, Sales Tax Performance Audit, January 2001
- #1105-F1 Evaluation of Actions Taken, 1999 Department of Transportation, Bridge Program Performance Audit, November 2000
- #1239-F1 Evaluation of Actions Taken, 2000 Division of Banking, Public Deposit Protection Act Performance Audit, April 2001



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