

**COLORADO  
OFFICE OF THE  
STATE AUDITOR**

**ANNUAL REPORT  
FISCAL YEAR 2002**

**LEGISLATIVE AUDIT COMMITTEE  
2002 MEMBERS**

**Senator Jack Taylor**  
*Chairman*

**Senator Ron Tupa**  
*Vice-Chairman*

**Senator Norma Anderson**  
**Representative Fran Coleman**  
**Representative Glenn Scott**  
**Senator Stephanie Takis**  
**Representative Val Vigil**  
**Representative Tambor Williams**

**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 2002 the OSA completed 64 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 2002 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 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 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.

In July 2002, the Office of the State Auditor received the National Legislative Program Evaluation Society Impact Award for the Fiscal Year 2001 audit of the Colorado Children's Basic Health Plan (performance audit #1225). The audit resulted in significant improvements and cost savings for the state's health care plan for low-income children.

## *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 Legislative Session. Joanne is a Certified Public Accountant, who also holds master's degrees in business administration and political science. She also served as Colorado Commissioner of Insurance, Financial Services Director of the Judicial Department, and Deputy State Auditor. Joanne is a member of the American Institute of CPAs and a past vice-president of the Colorado Society of CPAs.

## *Performance Outcomes*

In Fiscal Year 2002, 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%	88%

*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 2002 suggest that about 60% of prior audit recommendations have been fully implemented, and 80% of recommendations 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**

*Measure: Legislation Resulting from OSA Audits*

Bills enacted during the 2002 Legislative Session resulting, in part, from recommendations made or studies conducted by the OSA:

- S.B.02-037 Repeal of State Crime Victim Compensation Fund
- H.B.02-1077 Community Corrections Program Audits
- H.B.02-1215 Risk Based Nursery Stock Inspections
- H.B.02-1127 Home and Community Based Services
- H.B.02-1211 Resolution of Disputed Tax Deficiencies
- H.B.02-1226 Colorado Employee Assistance Program

**GOAL THREE:  
Savings Identified in Audit  
Recommendations**

*Measure: Savings Identified in Audit Recommendations*

Measure	Five-Year Average (Fiscal Years 1998-2002)
Savings Identified in Audits (in millions)	\$15.0
Net OSA Operating Costs (in millions)*	\$ 4.8
Ratio of Savings to Costs	3:1
* Net operating costs include general fund appropriation less general fund reversions.	

In each of the past five years, the Office of the State Auditor has met or exceeded this goal.

***OSA Operating Budget***

In Fiscal Year 2002 the OSA operated on a budget of about \$6.9 million. About one-third of the budget was spent on auditing services provided by private accounting and consulting firms.

***Audits Released in  
Fiscal Year 2002***

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***

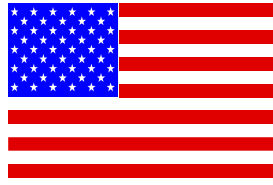
- #1346 Auraria Higher Education Center, Financial & Compliance Audit, Fiscal Year Ended June 30, 2001
- #1346A Auraria Higher Education Center, Student Fee Revenue Refunding Bonds Financial & Compliance Audit, Fiscal Year Ended June 30, 2001
- #1346B Auraria Higher Education Center, Parking Facilities System Revenue Bonds Financial & Compliance Audit, Fiscal Year Ended June 30, 2001
- #1383 Cash Funds, Uncommitted Reserves, Fiscal Year Ended June 30, 2001
- #1333 Colorado Compensation Insurance Authority, DBA Pinnacol Assurance, Financial Statements and Comments on Internal Controls and Procedures, Fiscal Years Ended December 31, 2000 and 1999
- #1417 Colorado Compensation Insurance Authority, DBA Pinnacol Assurance, Fiscal Years Ended December 31, 2001 and 2002
- #1412 Colorado Legislative Department, June 30, 2001
- #1358 Colorado Lottery, Financial and Compliance Audit, June 30, 2001 and 2000
- #1392 Colorado Lottery, Forecast Analysis, September 2001

- #1362A Colorado School of Mines, Auxiliary Bonds Financial Statements and Auditor's Report, Fiscal Year Ended June 30, 2001
- #1362 Colorado School of Mines, Financial & Compliance Audit, Fiscal Year Ended June 30, 2001
- #1431 Colorado State Fair Authority, Financial and Compliance Audit, Fiscal Year Ended June 30, 2001
- #1349 Colorado State University System, Year Ended June 30, 2001
- #1384 Colorado State Veterans Center at Homelake, Year Ended June 30, 2001
- #1395A Colorado Student Obligation Bond Authority, Prepaid Tuition Fund Financial & Compliance Audit, Fiscal Year Ended June 30, 2001
- #1395B Colorado Student Obligation Bond Authority, Student Loan Program Funds Financial & Compliance Audit, Fiscal Year Ended June 30, 2001
- #1395C Colorado Student Obligation Bond Authority, Scholars Choice Financial & Compliance Audit, Fiscal Year Ended June 30, 2001
- #1348 Community Colleges of Colorado, Financial & Compliance Audit, Fiscal Year Ended June 30, 2001
- #1353 Deferred Compensation Plan, June 30, 2001 and 2002
- #1404 Department of Military Affairs, Financial Review November, 2001
- #1345 Division of Gaming, Year Ended June 30, 2001
- #1394 Great Outdoors Colorado Trust Fund, Financial Statements June 30, 2001
- #1465 Lieutenant Governor's Office, May 2002
- #1330 Public Employees' Retirement Association, Year Ended December 31, 2000
- #1387 Public Safety Communications Trust Fund, Financial and Performance Audit, January 2002
- #1382 Schedule of Computations Required Under Article X, Section 20 of the State Constitution, (TABOR) December 2001
- #1381 Schedule of TABOR Revenue, September 2001
- #1396 State Colleges in Colorado, Year Ended June 30, 2001
- #1363 State Fair Authority, Year Ended June 30, 2001
- #1470 Statement of Federal Land Payments, Year Ended September 2001
- #1371 Statewide Single Audit, Fiscal Year Ended June 30, 2001
- #1364 Student Loan Division Financial Audit, Fiscal Years Ended June 30, 2000 & 2001
- #1350 University of Colorado, Financial & Compliance Audit, Fiscal Year Ended June 30, 2001
- #1351A University of Colorado, Insurance Pool Statutory Financial Statements and Auditor's Comments, Fiscal Years Ended June 30, 2000 and 2001
- #1351B University of Colorado, Risk and Insurance Management Fund Financial Statements and Auditor's Comments, Fiscal Years Ended June 30, 2000 and 2001
- #1366 University of Northern Colorado, Financial & Compliance Audit, Fiscal Year Ended June 30, 2001
- #1366A University of Northern Colorado, KUNC Financial Audit, Fiscal Year Ended June 30, 2001

- #1366B University of Northern Colorado, LAB School, Year Ended June 30, 2001
- #1366C University of Northern Colorado, Student Media Corporation Financial Statements, Fiscal Years Ended June 30, 2000 and 2001
- #1367 University of Southern Colorado, Bond Funds, Year Ended June 30, 2001 and 2000

### *Performance Audits*

- #1411 Central Registry of Child Protection, November 2001
- #1408 Colorado Board of Medical Examiners and the Colorado Nursing Board, November 2001
- #1410 Colorado Government Technology Services Computing Services, September 2001
- #1391 Colorado Indigent Care Program, February 2002
- #1393 Criminal History Checks, September 2001
- #1414 Criminal Rehabilitation Programs, February 2002
- #1327 Department of Education, June 2001
- #1338 Division of Criminal Justice, July 2001
- #1260-1 Evaluation of the Colorado Works Program Part 1, August 2001
- #1260-2 Evaluation of the Colorado Works Program Part 2, November 2001
- #1466 Family Planning Program - Planned Parenthood Review, April 2002
- #1337 Fleet Management/State Patrol Joint Report
- #1335 HMO and Fee for Service Costs Review and Analysis, June 2001
- #1033 Home and Community Based Services and Home Health Services, June 2000
- #1405 Laboratory and Radiation Services Division, May 2002
- #1399 Oil and Gas Conservation Commission Financial Review, August 2001
- #1409 Public Employee Retirement Association, Study of Retirement Plan Designs Pursuant to Senate Bill 01-149, November 2001
- #1406 Residential Treatment Center Rate Setting and Monitoring, January 2002
- #1388 Review of the Enterprise Zone Program, August 2001
- #1369 Risk Management, September 2001
- #1385 State Procurement Card Program, May 2002
- #1386 Subsidized Adoption Program, March 2002
- #1264 Tax Conferee Section, June 2001
- #1375 Welfare to Work Program, July 2001



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