

**ANNUAL REPORT  
FISCAL YEAR 2005**

**COLORADO  
OFFICE OF THE  
STATE AUDITOR**

**Joanne Hill**  
*State Auditor*

## *Role of the Colorado Office of the State Auditor*

The Office of the State Auditor (OSA) is established in the State Constitution and serves as the government watchdog for the citizens of Colorado. As a steward of public funds, the OSA strives to promote accountability and improve the operation of all levels of government. Audits focus on reducing costs, increasing efficiency, improving the quality of services, and ensuring the accuracy and integrity of financial information.

*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 2005 the OSA conducted 56 financial and performance audits of state agencies and institutions of higher education. Examples of recent financial audits include the Statewide Financial and Compliance Audit, covering over \$15 billion in state expenditures, and the Public Employees' Retirement Association, covering about \$34 billion in retirement funds. This year's performance audits included the Medicaid Prescription Drug Program, a review of Statewide Contract

Management Practices, Private Prisons, and Private Occupational Schools. A complete listing of the audit reports released in Fiscal Year 2005 is located on pages 5 through 7 of this report. Finally, the OSA's Local Government Audit Section reviews financial audits of cities, counties, school districts, authorities, and special districts.

The OSA is committed to producing high-quality audits and is subject to both internal and external peer reviews. In July 2005, the Office of the State Auditor received a Certificate of Recognition of Impact from the National Legislative Program Evaluation Society for the Fiscal Year 2004 performance audit of the Colorado County Officials and Employees Retirement Association.

### *About the Legislative Audit Committee*

The Legislative Audit Committee (LAC) includes four senators and four representatives with equal representation from the two major political parties. The 2005 Committee is as follows:

**Representative Val Vigil, Chair**  
**Senator Norma Anderson, Vice Chair**  
**Representative Fran Coleman**  
**Senator Deanna Hanna**  
**Representative David Schultheis**  
**Senator Stephanie Takis**  
**Senator Jack Taylor**  
**Representative Al White**

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 appointment of the State Auditor.

## *The State Auditor*

The State Auditor is a constitutionally established position appointed by the General Assembly by a majority vote of the members of the House and Senate. The Colorado Constitution requires that the Auditor be a Certified Public Accountant (CPA), appointed without regard to political affiliation. The current State Auditor, Joanne Hill, is a CPA who holds masters degrees in Business Administration and Political Science. Joanne has served as Colorado Commissioner of Insurance, Financial Services Director of the Judicial Department, and as Deputy State Auditor. She is a member of the American Institute of CPAs and the Colorado Society of CPAs.

## *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.

## *Performance Outcomes*

**GOAL: Provide Value through Recommendations that Assist Agencies in Improving State Government Services**

### *Recommendations Accepted by Audited Agencies*

|        | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|--------|-------------|-------------|-------------|-------------|-------------|
| GOAL   | 90%         | 90%         | 90%         | 90%         | 90%         |
| ACTUAL | 87%         | 88%         | 83%         | 91%         | 87%         |

The OSA tracks whether audited agencies implement accepted audit recommendations. Follow-up audits completed in Fiscal Year 2005 suggest that about 54% of prior audit recommendations have been fully implemented and 81% have been at least partially implemented.

**GOAL: Provide Value through Saving the Taxpayers Money**

| <b>Five-Year Average<br/>(Fiscal Years 2001-2005)</b>                                   |         |
|---|---------|
| Savings Identified in Audits (in millions)  | \$ 16.5 |
| Net OSA Operating Costs (in millions)*  | \$ 5.3  |
| Ratio of Savings to Costs   | 3:1     |
| * Net operating costs include general fund appropriations less general fund reversions. |         |

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

Bills enacted during the 2005 legislative session related to recommendations made or studies conducted by the OSA:

- S.B. 05-002 Juvenile Parole and Parole Hearings
- S.B. 05-010 Colorado County Officials and Employees Retirement Association
- S.B. 05-016 Correctional Industries, Surplus Property
- S.B. 05-042 Public Utilities Commissioners' Salaries
- S.B. 05-053 National Guard Tuition Assistance Program
- H.B. 05-1003 Assessments for Financial Institutions
- H.B. 05-1078 Colorado Integrated Criminal Justice Information System
- H.B. 05-1139 Division of Workers' Compensation

***Audits Released in Fiscal Year 2005***

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***

| <u>Audit #</u> | <u>Audit Title</u>  |
|----------------|---|
| 1602           | Adams State College, Fiscal Years Ended June 30, 2004 and 2003  |
| 1603           | Auraria Higher Education Center, Fiscal Years Ended June 30, 2004 and 2003  |
| 1669           | Cash Funds Uncommitted Reserves Report, Fiscal Year Ended June 30, 2004   |
| 1604           | Colorado Community College System, Fiscal Years Ended June 30, 2004 and 2003                                      |
| 1594           | Colorado Public Employees' Retirement Association, Fiscal Year Ended December 31, 2003                            |
| 1625A          | Colorado School of Mines, Auxiliary Bonds, Fiscal Years Ended June 30, 2004 and 2003                              |
| 1625B          | Colorado School of Mines, Development Corporation, Fiscal Years Ended June 30, 2004 and 2003                      |
| 1625           | Colorado School of Mines, Fiscal Years Ended June 30, 2004 and 2003   |
| 1626           | Colorado State Fair Authority, Fiscal Years Ended June 30, 2004 and 2003  |
| 1607           | Colorado State University System, Fiscal Year Ended June 30, 2004   |
| 1606A          | Colorado Student Obligation Bond Authority, Prepaid Tuition Fund, Fiscal Years Ended June 30, 2004 and 2003       |
| 1606 C & D     | Colorado Student Obligation Bond Authority, Scholars Choice Fund, Fiscal Year Ended June 30, 2004                 |
| 1606B          | Colorado Student Obligation Bond Authority, Student Loan Program Funds, Fiscal Years Ended June 30, 2004 and 2003 |
| 1635           | Colorado Tourism Office, September 2004   |
| 1627           | Department of Higher Education, Student Loan Division, Fiscal Years Ended June 30, 2004 and 2003                  |
| 1633           | Department of Human Services, Colorado State Veterans Nursing Home at Fitzsimons, Fiscal Year Ended June 30, 2004 |
| 1640           | Department of Human Services, Trinidad State Nursing Home, Fiscal Year Ended June 30, 2004                        |
| 1612           | Department of Personnel & Administration, Deferred Compensation Plan, Fiscal Years Ended June 30, 2004 and 2003   |

|       |  |
|-------|--|
| 1644  | Department of Personnel & Administration, Public Safety Communications Trust Fund, August 2004                 |
| 1624A | Department of Public Health and Environment, Colorado Children's Trust Fund, Fiscal Year Ended June 30, 2004   |
| 1621  | Department of Revenue, Colorado Lottery, Fiscal Years Ended June 30, 2004 and 2003                             |
| 1615  | Department of Revenue, Division of Gaming, Fiscal Years Ended June 30, 2004 and 2003                           |
| 1668  | Department of Treasury, Statement of Federal Land Payments, Fiscal Year Ended September 30, 2004               |
| 1614  | Fort Lewis College, Fiscal Years Ended June 30, 2004 and 2003  |
| 1685  | Judicial Department, Office of the Child's Representative, Fiscal Year Ended June 30, 2004                     |
| 1622  | Mesa State College, Fiscal Year Ended June 30, 2004  |
| 1623  | Metropolitan State College of Denver, Fiscal Year Ended June 30, 2004  |
| 1591  | Pinnacol Assurance, Fiscal Years Ended December 31, 2003 and 2002  |
| 1667  | Schedule of Computations Required Under Article X, Section 20 of the State Constitution (TABOR), December 2004 |
| 1666  | Schedule of TABOR Revenue, September 2004  |
| 1616  | State Board of the Great Outdoors Colorado Trust Fund, Fiscal Year Ended June 30, 2004                         |
| 1655  | State of Colorado, Statewide Single Audit, Fiscal Year Ended June 30, 2004                                     |
| 1610  | University of Colorado Insurance Pool, Fiscal Years Ended June 30, 2004 and 2003                               |
| 1611  | University of Colorado Self-Insurance and Risk Management Trust, Fiscal Year Ended June 30, 2004               |
| 1630  | University of Northern Colorado, Fiscal Years Ended June 30, 2004 and 2003                                     |
| 1630A | University of Northern Colorado, Student Media Corporation, Fiscal Years Ended June 30, 2004 and 2003          |
| 1631  | Western State College of Colorado, Fiscal Year Ended June 30, 2004   |

### ***Performance Audits***

| <u>Audit #</u> | <u>Audit Title</u>  |
|----------------|---|
| 1672           | Colorado State Historical Fund, Use of Historical Grant Funds, October 2004                               |
| 1649           | Department of Corrections, External Health Care Services Provided to Inmates, April 2005                  |
| 1676           | Department of Corrections, Private Prisons, April 2005  |
| 1636           | Department of Health Care Policy and Financing, Medicaid Claims, November 2004                            |
| 1637           | Department of Health Care Policy and Financing, Medicaid Prescription Drug Program, September 2004        |
| 1646           | Department of Higher Education, Private Occupational Schools, April 2005                                  |
| 1598           | Department of Human Services, Division of Youth Corrections, Juvenile Parole, June 2004                   |
| 1596           | Department of Human Services, State Services for Older Coloradans, June 2004                              |
| 1600           | Department of Labor and Employment, Division of Workers' Compensation, August 2004                        |
| 1671           | Department of Military and Veterans' Affairs, National Guard Tuition Assistance Program, September 2004   |
| 1647           | Department of Personnel & Administration, Colorado Statewide Contract Management Practices, February 2005 |
| 1663           | Department of Personnel & Administration, Division of Administrative Hearings, November 2004              |
| 1661           | Department of Personnel & Administration, Maintenance and Use of State Fleet Vehicles, January 2005       |
| 1599           | Department of Personnel & Administration, Risk Management Program, August 2004                            |
| 1578           | Department of Public Health and Environment, Evaluation of Dental Loan Repayment Program, June 2004       |

1670 Department of Public Health and Environment, Tobacco Education, Prevention and Cessation,  
December 2004  
1597 Department of Public Safety, Residential Community Corrections Programs, September 2004  
1665 Department of Regulatory Agencies, Division of Real Estate, October 2004  
1634 Highway Users Tax Fund, Revenue Collection and Distribution, June 2004



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