



# AMENDMENT 35 TOBACCO TAX FUNDED GRANT PROGRAMS

## Performance Audit, July 2012 Report Highlights



Dianne E. Ray, CPA  
State Auditor

Department of Public Health and Environment

### PURPOSE

Evaluate grant-making processes and determine whether grant monies funded with Amendment 35 tobacco tax revenues are being used for their intended purposes.

### BACKGROUND

- In Fiscal Year 2005, Amendment 35 raised the tax per package of cigarettes to \$0.84 and increased the tax on all other tobacco products to 40 percent of the manufacturer's list price. In Fiscal Year 2011, the State collected about \$145 million in Amendment 35 tobacco taxes.
- Statute requires that 16 percent of Amendment 35 tobacco tax revenues be used to fund school, community-based, and statewide tobacco education programs to reduce initiation of tobacco use by children and youth, promote cessation of tobacco use, and reduce exposure to secondhand smoke.
- Another 16 percent of Amendment 35 tobacco tax revenues are to be used to fund the prevention, early detection, and treatment of cancer, cardiovascular disease, and chronic pulmonary disease.

### OUR RECOMMENDATIONS

The Department should:

- Seek an Attorney General's opinion on whether statute and the State Constitution allow the Tobacco Prevention Program to use grants to fund policy initiatives to help pass local laws and ordinances prohibiting smoking.
- Improve processes for assessing the risk and capacity of grant applicants.
- Implement internal controls to ensure grant contracts are accurate and complete.
- Strengthen procedures for ensuring grantee reimbursements are allowable and comply with grant contracts.
- Improve data management.

The Department disagreed with the first recommendation and agreed with the other recommendations.

### AUDIT CONCERN

**The Department should ensure its grants for the Tobacco Education, Prevention, and Cessation (Tobacco Prevention) Program and the Cancer, Cardiovascular Disease, and Chronic Pulmonary Disease Prevention, Early Detection, and Treatment (CCPD) Program comply with Colorado constitutional and statutory requirements, and improve its processes for selecting, managing, and tracking grants.**

### KEY FACTS AND FINDINGS

- In Fiscal Years 2010 and 2011, the Tobacco Prevention Program awarded 140 grantees a total of about \$5.2 million in funding to conduct policy initiatives to help pass local government laws and organizational policies related to tobacco use, such as prohibiting smoking in areas not banned by Colorado's Clean Indoor Air Act. It is unclear whether the State Constitution and statute allow these grant funds to be used to fund policy initiatives.
- The Tobacco Prevention and CCPD Programs awarded grants without sufficient consideration of applicants' past performance or financial risk. For example, one grantee in our sample was approved for continued grant funding although it had been issued an order to stop work on a previous grant due to performance problems.
- The Department's financial risk assessment tool includes rating factors that appear to conflict and may not accurately capture risk. The Department also does not conduct financial risk assessments on all applicants and grantees.
- We found problems with the accuracy and completeness of the contracts for nine out of 17 sampled grantees. Errors included budgets for timeframes that exceeded the contract period, budget miscalculations, and missing budget information. These errors resulted in the State overpaying grantees a total of about \$8,400.
- We identified questionable grant reimbursements for nine out of 17 sampled grantees totaling about \$69,500 (about 3 percent) out of the \$2.3 million in reimbursements we reviewed in Fiscal Years 2010 and 2011. Most reimbursements we reviewed were paid without proof of how the funds were used.
- The Department does not maintain a comprehensive, accurate database of grant information. For 57 out of the 211 grants in Fiscal Years 2010 and 2011, the information provided by the Department included errors such as incorrect entities that received grants, incorrect expenditure amounts, and incorrect grant award amounts.