



OFFICE OF THE STATE AUDITOR



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FILM OFFICE PAYS OUT \$1.9 MILLION WITHOUT CONTRACTS

DENVER—The Colorado Office of the State Auditor (OSA) has released its audit of the Office of Film, Television, and Media (Film Office), and has found that it has paid incentives to production companies that do not qualify for incentives. The audit also found the Film Office does not strategically target incentive funds to offer the most economic benefit to the State and does not collect and assess data to determine its impact to the State.

The Film Office was established in 2012 to expand and revitalize the film industry in Colorado. One of the Film Office's primary duties is to administer the State's film incentive program, which offers rebates to companies producing films, television shows, commercials, and video games in Colorado. At least 50 percent of a production's employees must be Colorado residents and the company must spend \$100,000 in the state (if the company is an in-state company) or \$250,000 to \$1 million in the state (if the company is an out-of-state company), to qualify for an incentive.

Between Fiscal Years 2013 and 2016, the Film Office paid out a total of \$10.6 million in incentives for 31 productions, including 6 commercials, 4 documentaries, 7 feature films, 13 television shows, and 1 video game.

However, auditors found that the Film Office paid about \$1.9 million in incentives for the nine projects in its sample even though none of them met all

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requirements, including \$129,000 for projects that did not qualify for incentives, and \$1.8 million for projects the Film Office did not verify were qualified. The Film Office also paid incentives totaling about \$103,000 using the lower in-state spending threshold for two projects that did not qualify under the in-state requirements.

Additionally, the Film Office paid out about \$1.3 million in incentives for productions without having ever executed contracts with the production companies. The Film Office paid another \$600,000 in incentives for productions for which contracts were signed only after production had begun. The Film Office had been notified 5 times over the last 5 years that such practices violate statute.

Separately, auditors found that the Film Office decides whether to offer an incentive based on undocumented conversations with interested companies rather than using uniform criteria to assess which projects best support the Film Office's strategic goals of maximizing economic development and job creation in the State.

The audit makes 6 recommendations.

The full report is available @ www.colorado.gov/auditor.

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.