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Continued Improvements Are Needed to Ensure the State's Compliance with Federal Grant Program Requirements

DENVER—The Office of the State Auditor (OSA) has released Volume Two of its annual statewide financial and compliance audit for Fiscal Year 2021. This second report focuses on the State of Colorado's compliance with requirements for federal grant awards. The State expended about \$26.2 billion in federal funds in Fiscal Year 2021, more than \$8 billion higher than Fiscal Year 2020 federal spending levels. The five federal programs with the most expenditures in Fiscal Year 2021 were Unemployment Insurance (\$9.3 billion), Medicaid (\$6.9 billion), Supplemental Nutrition Assistance (\$1.3 billion), Student Financial Assistance (\$1.2 billion), and Research and Development (\$1.1 billion).

Overall, auditors issued a qualified opinion—meaning they detected material instances of noncompliance—for the following federal programs: Block Grants for Prevention and Treatment of Substance Abuse, Child Care and Development Fund, Children's Health Insurance Program, COVID-19 Pandemic EBT Food Benefits, Food Distribution, Low-Income Home Energy Assistance, Medicaid, Mineral Leasing Act, and Student Financial Assistance. As required by auditing standards, auditors also issued a disclaimer of opinion on the Unemployment Insurance Program because prior-year audit recommendations related to a material weakness had not been fully remediated by June 30, 2021. Auditors issued unmodified or “clean” opinions on all other major federal programs tested for Fiscal Year 2021. Auditors also identified approximately \$364,000 in known questioned costs related to federal awards granted to the State; about \$28,000 of these known questioned costs related to COVID-19 funding.

Auditors made a total of 81 recommendations (including recommendation subparts) to state departments and higher education institutions for improvements. Volumes One and Two the of the OSA's annual statewide financial and compliance audit are available online at www.colorado.gov/auditor.

About the Office of the State Auditor

Under the direction of the State Auditor, the OSA's nonpartisan, professional staff promote government accountability by conducting independent performance, financial, and IT audits and evaluations of state agencies, departments, and institutions of higher education; conducting independent evaluations of the State's tax expenditures (e.g., credits, exemptions, deductions); tracking about 4,000 Colorado local governments for compliance with the Local Government Audit Law; and operating a statewide fraud reporting hotline.

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