

Key Items from Audit

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From February to June 2014, the Division sold 63 placeholder certificates, collecting a total of \$144,900 in advance for preliminary advisory opinion application fees. The Division also promised future discounts to 11 landowners who submitted complete or partial applications for 21 preliminary advisory opinions between January and June 2014.

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In Senate Bill 13-221, the General Assembly authorized the Department to borrow from the State's General Fund without interest during Fiscal Year 2014 to provide financing needed to implement the new review process "prior to sufficient moneys becoming available in the [Fund]." However, this loan provision did not help the Department as the General Assembly had intended. According to the State Controller, had the Department obtained the loan authorized by Senate Bill 13-221, any portion of the loan used to fund expenditures that the Department did not pay back by the end of Fiscal Year 2014 with offsetting revenue would have caused the Fund's balance to be negative and constituted an over-expenditure that violates statute [Section 24-75-109(2)(b), C.R.S.

See April 8 2014 Meeting Minutes CEOC

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The Division expected the conservation professionals who purchased placeholder certificates to eventually transfer the certificates to landowner clients who would redeem them for application review services. However, since the landowners redeeming these placeholder certificates were not involved in the initial transaction, they cannot be considered the buyers of the placeholder certificates. Toward the end of our audit, in October 2016, the Division reported to us that it was seeking advice from the Attorney General on the legality of these transactions, but it had not yet received an opinion

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DIVISION PROGRAM STAFF DID NOT FULLY COMMUNICATE THE PLACEHOLDER PROCESS TO DEPARTMENT BUDGETING STAFF AND DIVISION ADMINISTRATIVE STAFF. Department budgeting staff reported being unaware that the purchasers of the placeholder certificates had not submitted applications for preliminary advisory opinions at the time they paid the fee, or that the Division still had outstanding obligations 2 years later to provide preliminary advisory opinions to some purchasers. Thus, Department budgeting staff were unable to properly evaluate whether the placeholder process would fix the problems with the fund balance. Further, the Division reported that its administrative staff person who recorded placeholder payments was not familiar with the placeholder process. As a result of these misunderstandings, the Division improperly recorded the placeholder fees received in the Fund as revenue instead of as liabilities. In late September 2016, after we had discussed these problems with the Division, it made accounting adjustments totaling \$48,300 in the State's accounting system to reclassify the payments for unredeemed placeholder certificates as liabilities.

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Finally, we estimate that, had the Division properly accounted for the placeholder fees, the Fund's balance would have been negative in Fiscal Years 2014 to 2016. According to the State Controller's Office, a negative fund balance would violate Section 24-75-109(2)(b), C.R.S., which prohibits a state agency from overspending resources

Year of Easement Donation No. of Applications received in 2016

2014 2

2015 20

2016 13

Total TCC Applications Received CY2016 35

Amount of tax credit issued \$4,837,062

