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State Auditor

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DEPARTMENT OF LOCAL AFFAIRS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1977

STATE of COLORADO
Denver

STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1977
WITH
REPORT OF STATE AUDITOR"

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STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1977
WITH
REPORT OF STATE AUDITOR

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STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
JUNE 30, 1977
AUDIT REPORT DIGEST

PURPOSE AND SCOPE OF AUDIT

The purpose of this audit was to:

- . review and evaluate internal controls and observe certain operating and administrative procedures;
- . audit financial transactions and related activities on a test basis;
- . evaluate compliance with state statutes and fiscal rules of a financial nature;
- . review implementation of the recommendations included in the prior audit report.

SUMMARY OF CURRENT YEAR COMMENTS

In this report we comment that the Department of Local Affairs does not charge Federal projects with their share of indirect costs, which results in understating the cost of some programs.

Other comments in this report relate to the Department's need to:

1. properly monitor Revenue Sharing recipients;
2. properly maintain the General Fixed Asset group of accounts;
3. adequately secure personnel files in a locked cabinet;
4. sufficiently document and explain journal entries.

In addition, we recommended that for the sake of efficiency and economy, the Department discontinue the duplicate accounting records maintained by C.B.I.

SUMMARY OF PROGRESS IN IMPLEMENTING
PRIOR AUDIT RECOMMENDATIONS

The disposition of prior audit recommendations at May 5, 1978 is as follows:

Implemented	22
Not implemented	7
No longer applicable	<u>1</u>
	<u>30</u>



STATE OF COLORADO
OFFICE OF STATE AUDITOR

ROBERT J. SCOTT, C. P. A.
State Auditor

ROOM 601, 1200 LINCOLN STREET
DENVER, COLORADO 80203

May 5, 1978

Legislative Audit Committee
1200 Lincoln Street, Suite 601
Denver, Colorado 80203

Members of the Legislative Audit Committee:

We have examined the financial statements of the various funds and account groups of the Department of Local Affairs at June 30, 1977, listed in the foregoing table of contents. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the various funds and account groups of the Department of Local Affairs at June 30, 1977 and the appropriations, revenues and expenditures, and changes in fund balances for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with those of the preceding year.

The accompanying supplemental schedules are not necessary for a fair presentation of the financial statements, but are presented as supplemental data. This information has been subjected to the tests and other auditing procedures applied in

the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Several divisions administer various grants received from the Federal Government. As recipients of these grants, they are subject to the Federal guidelines and regulations. The scope of this examination did not include the verification of the grantees' compliance with those regulations and guidelines. An audit of grantees' compliance is currently being made by us and the results will be issued under separate reports.

Respectfully submitted.

A handwritten signature in black ink, appearing to read "R. J. Scott", written over the typed name below.

Robert J. Scott, CPA
State Auditor

STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
BALANCE SHEET
JUNE 30, 1977

LIABILITIES & FUND BALANCE

ASSETS

GENERAL OPERATING
ACCOUNT

Accounts payable \$ 404,800
Salaries payable 1,372
Deferred revenue 207,691

Imprest cash \$ 105,000
Cash with State Treasurer 287,216
Travel advances, receivable 2,550
Accounts receivable, federal 48,983
Accounts receivable, other 71,517
Inventory (at cost) 16,016
Controller's clearing (Note 6) 82,581

\$ 613,863

\$ 613,863

Revolving Fund - Restricted

Cash with State Treasurer \$ 100,000
Loans receivable - Local Governments (Note 1) 785,000

\$ 885,000
\$ 885,000

Fund balance-restricted

\$ 885,000

Capital Construction Fund

Accounts receivable, other Funds \$ 284,075

Controller's Clearing (Note 6) \$ 284,075
\$ 284,075

General Fixed Assets

Furniture, fixtures and computer \$3,944,198
\$3,944,198

Lease commitments (Note 3) \$1,360,075
Investment - general fixed assets 2,584,123
\$3,944,198

See notes to financial statements.

STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
STATEMENT OF APPROPRIATIONS, REVENUE, AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 1977

	Revised General Fund Appropriations	Earned Revenue	Total	Expenditures	Authorized Roll Forwards	Reversions to State General Fund
<u>General Operating Account</u>						
<u>Administration</u>						
Personnel	\$ 239,817	\$ 60,541	\$ 300,358	\$ 295,064		\$ 5,294
Operating	19,278	8,880	28,158	27,492		666
Travel	4,197	13,481	17,678	16,851		827
Capital Outlay	597		597	597		
Board of Assessment Appeals	40,726		40,726	40,726		
Personal Service Roll Forward	5,000		5,000	5,000		
Four Corners Commission Dues	55,000		55,000	53,946		1,054
Economic Development Administration, 302		90,157	90,157	90,157		
Economic Development Administration, Bock Tower		59,434	59,434	59,434		
Denver Art Museum	400,883		400,883	400,883		
Denver Natural History	492,617		492,617	492,617		
Denver Botanic Garden	211,131		211,131	211,131		
Denver Zoo	427,870		427,870	427,870		
Denver Symphony	66,216		66,216	66,216		
<u>Colorado Bureau of Investigation</u>						
Personnel	851,646		851,646	851,646		2
Operating	132,136		132,136	132,134		230
Travel	12,375		12,375	12,145		16
Capital Outlay	24,080		24,080	14,564	\$ 9,500	
Special Investigations	65,144		65,144	65,144		
Special Purposes Roll Forward	100,000		100,000		100,000	
Laboratory Equipment	10,094	4,769	14,863	5,092	9,771	
Uniform Crime Reporting, 1976	13,310	116,184	129,494	129,823		(329)
Uniform Crime Reporting, 1975		23,040	23,040	23,040		
Record Equipment		1,129	1,129	1,129		
<u>Colorado Crime Information Center (CCIC)</u>						
Personnel	205,948	38,047	243,995	243,995		21,743
Operating	272,850	39,768	312,618	290,875		174
Travel	1,558		1,558	1,384		289
Capital Outlay	407,931	73,330	481,261	480,972		

	<u>Revised General Fund Appropriations</u>	<u>Earned Revenue</u>	<u>Total</u>	<u>Expenditures</u>	<u>Authorized Roll Forwards</u>	<u>Reversions to State General Fund</u>
<u>Colorado Bureau of Investigation (Continued)</u>						
Highway Safety Grant 1976		26,325	26,325	26,325		
Highway Safety Grant 1977		14,110	14,110	14,110		
<u>Colorado Law Enforcement Training Academy (CLETA)</u>						
Personnel	14,625		14,625	14,625		
Operating	58,053		58,053	58,053		
Travel	2,000		2,000	2,000		
Capital Outlay	2,870		2,870	2,870		
Management Training	4,000		4,000	4,000		
Reimbursements	61,734		61,734	51,655		10,079
Third Training Grant		5,970	5,970	5,970	1,707	
Fourth Training Grant	4,365	23,920	28,285	26,578	600	
Instructor's Training	600		600		2,445	
Curriculum Development	2,445	13,649	16,094	13,649		
Highway Safety CLETA		14,074	14,074	14,074		
Outreach Roll Forward	15,556	88,800	104,356	98,605		5,751
Contract Instructors	8,260		8,260	5,606	1,166	1,488
<u>Commerce & Development</u>						
Personnel	266,375		266,375	266,375		4
Operating	96,967		96,967	96,963		191
Travel	17,030		17,030	16,839		642
Postage & Printing	105,056		105,056	104,414		
Postage Roll Forward	3,900		3,900	3,900		
Rural Development Adv.	97,500		97,500	97,477		23
Adv. for Tourism	223,804		223,804	223,773		31
Travel Development Shows	4,850		4,850	4,850		
EDA - Energy Study		3,023	3,023	3,023		
Printing Regional Profiles						
Operating Roll Forward						
Advertising Roll Forward						
Motion Picture - TV	72,484		72,484	72,484		

	Revised General Fund Appropriations	Earned Revenue	Total	Expenditures	Authorized Roll Forwards	Reversions to State General Fund
<u>Criminal Justice</u>						
Personnel	39,317	357,538	396,855	397,140		(285)
Operating	3,472	29,583	33,055	32,414		641
Travel	2,300	17,672	19,972	19,592		380
Capitol Outlay		(33)	(33)	(36)		3
Standards & Goals	11,671	161,451	173,122	149,152		23,970
Disbursements		8,875,179	8,875,179	8,875,179		
Local Match	374,604		374,604	171,309	203,295	
Discretionary Match						
Roll Forward	1,888		1,888	411		1,477
Impact Cities	864	4,933	5,797	5,797		
Evaluation		65,960	65,960	65,960		
Statistical Evaluation Center		47,737	47,737	47,737		
<u>Housing</u>						
Personnel	316,469		316,469	316,469		19
Operating	22,177		22,177	22,158		
Travel	41,641	5,000	46,641	46,641		
Capital Outlay	5,344	2,013	7,357	7,357		
<u>Local Government</u>						
Personnel	284,486		284,486	284,486		1,829
Operating	22,856		22,856	21,027		2,610
Travel	17,531		17,531	14,921		
Capital Outlay	8,727		8,727	8,727		64
Special Purpose Local Government	1,500		1,500	1,436	43,547	4,415
Sanitation Engineering and Planning	125,000		125,000	77,038	39,380	6,713
Sanitation Roll Forward	106,766		106,766	60,673	46,543	
Sanitation Sewer & Water	200,000		200,000	153,457	66,234	
Emergency Sewer & Water Roll Forward	129,846		129,846	63,612	233,665	
Planning Funds	250,000	17,715	267,235	33,570	34,591	
Planning Funds, Roll Forward	248,040	218,449	466,489	431,898		
Land Use ID Design & Administration	1,685,250		1,685,250	1,521,500		163,750

	Revised General Fund Appropriations	Earned Revenue	Total	Expenditures	Authorized Roll Forwards	Reversions to State General Fund
<u>Planning</u>						
Personnel	107,110	203,604	310,714	310,714		783
Operating	10,952	12,817	23,769	22,986		188
Travel	2,958	5,049	8,007	7,819		
Contracts Coop Mapping USGS	333,500	333,500	667,000	667,000		
Four Corner Colorado Popula- tion Funds		9,726	9,726	9,726		
Four Corner Colorado Economic Model		20,534	20,534	20,534		
Planning Asst. Grant		141,880	141,880	141,880		
Planning Asst. Roll Forward		159,103	159,103	159,103		
UMTA Planning		11,347	11,347	11,347		
UMTA Vehicle		24,999	24,999	24,999		
Four Corner Topographic Map		61	61	61		
Four Corner Economic Development		143,090	143,090	143,090		
<u>Property Taxation</u>						
Personnel	819,062		819,062	819,062		1
Operating	57,352		57,352	57,351		2
Travel	59,570		59,570	59,568		274
Capital Outlay	14,858		14,858	14,584		
HB 1250	119,101		119,101	119,101		
STACO	49,797	36,551	86,348	86,348		
Miscellaneous General Fund Re- ceipts (note 2)		349,596	349,596			349,596
Total	\$10,596,887	\$11,973,205	\$22,570,092	\$21,173,043	\$792,444	\$604,605

STATE OF COLOARDO
DEPARTMENT OF LOCAL AFFAIRS
CAPITAL CONSTRUCTION FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES

AND PROJECT BALANCES

YEAR ENDED JUNE 30, 1977

Project	Total Appropriation	Fund Balance 6-30-76	Long Bill 1977-1978	Total Available	Expenditures	Total Encumbered	Project Balance - June 30, 1977 Available
Agriculture Housing Support 1975	\$ 750,000	\$ 224,453		\$ 224,453	\$ 203,586	\$ 2,887	\$ 17,930
Urban Housing Support 1975	750,000	467,909		467,909	194,084		273,825
Rural Housing Support 1976	600,000	600,000		600,000	467,557	132,443	
Urban Housing Support 1976	400,000	320,000		320,000	212,000		108,000
Air Conditioning, CBI			17,000	17,000			17,000
Remodel Dormitories, CLETA			12,000	12,000			12,000
Urban Housing Support 1977			750,000	750,000			750,000
Rural Housing Support 1977			750,000	750,000			750,000
	<u>\$2,500,000</u>	<u>\$1,612,362</u>	<u>\$1,529,000</u>	<u>\$3,141,362</u>	<u>\$1,077,227</u>	<u>\$2,064,135</u>	<u>\$1,077,227</u>
						<u>\$135,330</u>	<u>\$1,928,805</u>

See notes to financial statements

STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
STATEMENT OF CHANGES IN REVOLVING FUND
YEAR ENDED JUNE 30, 1977

Beginning fund balance, July 1, 1976	\$ -0-
Receipts, federal government	885,000
Fund balance, June 30, 1977	<u>\$885,000</u>

See notes to financial statements

STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1977

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Department of Local Affairs conform to the generally accepted accounting principles as applicable to governmental units. The following is a summary of significant policies.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of "fund accounting". Resources for various purposes are classified for accounting and reporting purposes into funds that operate in accordance with activities or objectives specified.

Within the fund structure separate accounts are used to identify expenditures from specific State appropriations. Revenue for and expenditures from cash and Federal programs are also accounted for separately within each fund.

Basis of Accounting

The accrual basis of accounting is followed by the Department of Local Affairs.

Other Significant Accounting Policies

The Department receives appropriations from the State. Federal and cash funds are appropriated as "augmenting revenues". Unexpended appropriations at year-end either revert to the State

General Fund or roll-forward to the subsequent year. Approval must be obtained from the State Controller before roll-forwards can be made.

Expenditures for Federal projects are made from the General Fund and may be reimbursed after such expenditures are made, thereby creating an accounts receivable from the Federal Government and "due to" the State General Fund which is included in the balance of Controller's Clearing. In those cases wherein funds for Federal projects are received in advance of actual expenditures, such amounts are recorded as deferred revenue.

Capital Construction Fund appropriations may roll-forward to subsequent years and can be expended until the project is completed.

General fixed assets are recorded as expenditures at the time of purchase. Such assets have been capitalized at cost in the general fixed asset group of accounts. No depreciation has been taken on general fixed assets.

Inventories held by the Department are priced at cost and consist of pamphlets and brochures of the Division of Commerce and Development.

2. GENERAL FUND RECEIPTS

Some receipts are not available for expenditure by the Department and are deposited directly into the General Fund. They result from inspection fees, tuition fees and sale of publications.

Division of Housing, inspection fees	\$279,490
C.L.E.T.A., Tuition fees	13,896
Sale of publications and other miscellaneous revenues	<u>56,210</u>
Total General Fund Receipts	<u>\$349,596</u>

3. CAPITALIZED LEASE OBLIGATIONS

The Colorado Bureau of Investigation of the Department of Local Affairs entered into several long term lease commitments prior to and during fiscal year 1977. These commitments range from 72 to 84 months. All commitments on June 30, 1977 expire on or before April 1, 1982, but a new agreement has been negotiated during fiscal year 1978. The new agreement calls for the complete upgrading of the Colorado Crime Information Center (C.C.I.C.) mainframe along with a change from a lease-purchase contract to a straight lease contract. The new agreement is contingent upon funding by the State General Assembly.

In the absence of a new lease agreement, the total long term lease commitments at June 30, 1977 amounted to \$1,360,075.

4. CONTINGENT LIABILITIES

Funds expended under terms of certain Federal grants are being subject to audit. The amount of an adjustment if any by Federal agencies is not deemed significant.

5. INTRADIVISIONAL TRANSFER OF FEDERAL GRANTS

The Divisions of Criminal Justice and Planning are the primary recipients of various Federal Grants. Several Divisions within the Department of Local Affairs are subgranted some of these Federal

funds. Due to the current budgetary requirements, both the primary grantee and the subgrantee record the augmenting revenue and related expenditures.

6. CONTROLLER'S CLEARING

The balances in Controller's Clearing at June 30, 1977 represents the net year-end effect of certain transactions between the Department of Local Affairs and the State's General Fund under the "Home Office and Branch" accounting principles followed in private industry.

7. REVOLVING FUND

During fiscal year 1977 the Department of Local Affairs (DLA) entered into an agreement with Department of Commerce, Economic Development Administration. The agreement stipulated that the DLA would make loans to three Colorado towns for additions to or improvements in their potable water systems. The loans are interest free and are to be matched by local funds. Repayment of these loans out of tap fees and other revenues begins upon completion of the project or January 1, 1977, whichever occurs first and will continue for fifteen years. Repaid funds may be reloaned for similiar purposes.

8. RETIREMENT PLAN

The Department of Local Affairs (DLA) participates in the Public Employees' Retirement Association (PERA). This retirement plan covers all full-time permanent employees of DLA. Most members of the plan contribute 7.75% of their salary. The director, deputy director and all agents of Colorado Bureau of Investigation contribute 8.75% of their salaries. During fiscal

year 1977 the DLA's contribution was 10.64% (11.64% for CBI employees) of the members' salary, or \$420,763.

9. COMMITMENTS

Encumbrances representing contracts or obligations outstanding at year-end are not recorded as an expense in the current year. At June 30, 1977, outstanding encumbrances in the Capital Construction Fund were \$135,330 and \$857,000 in the Revolving Fund.

STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
SCHEDULE OF CHANGES IN GENERAL FUND APPROPRIATIONS
FISCAL YEAR ENDED JUNE 30, 1977

Administration	Long Bill	Supplemental Appropriations	Prior Year Appropriation Roll Forward	Transfers		Revised General Fund Appropriations
				Intra-Departmental	Inter-Departmental	
Personnel	\$ 235,017			\$ 4,800		\$ 239,817
Operating	15,278	\$ 4,000				19,278
Travel	4,197					4,197
Capital Outlay				597		597
Board of Assessment Appeals	38,913	12,424		(1,160)	\$ (9,451)	40,726
Four Corners Dues	55,000		\$ 5,000			55,000
Personnel Services Roll-Forward						5,000
Denver Art Museum	400,883					400,883
Denver Natural History	492,617					492,617
Denver Botanic Gardens	211,131					211,131
Denver Zoo	427,870					427,870
Denver Symphony	66,216					66,216
<u>Colorado Bureau of Investigation</u>						
Personnel	818,337			(4,770)	38,079	851,646
Operating	129,571			2,565		132,136
Travel	12,375					12,375
Capital Outlay	10,260			13,820		24,080
Special Investigation	62,503				2,641	65,144
Special Purpose Roll-Forward			100,000			100,000
Laboratory Equipment	10,094					10,094
Uniform Crime Reporting 1976	13,310					13,310
CCIC						
Personnel	170,614			8,971	26,363	205,948
Operating	303,057			(30,207)		272,850
Travel	1,558					1,558
Capital Outlay	404,556			3,375		407,931

	<u>Long Bill</u>	<u>Supplemental Appropriations</u>	<u>Prior Year Appropriation Roll Forward</u>	<u>Transfers</u>		<u>Revised General Fund Appropriations</u>
				<u>Intra-Departmental</u>	<u>Inter-Departmental</u>	
<u>Colorado Law Enforcement Training Academy</u>						
Personnel	13,948				677	14,625
Contract Instructors	7,100			1,160		8,260
Operating	58,053					58,053
Travel	2,000					2,000
Capital Outlay	2,870					2,870
Management Training	4,000					4,000
Reimbursements	21,470	40,264				61,734
Third Training Grant	4,365					4,365
Fourth Training Grant	600					600
Instructors' Training	2,445		15,556			2,445
Curriculum Development						15,556
Outreach Roll-Forward						
<u>Commerce and Development</u>						
Personnel	243,337			1,399	21,639	266,375
Operating	96,642			325		96,967
Travel	17,355			(325)		17,030
Postage and Printing	108,856		3,900	(3,800)		105,056
Postage Roll-Forward						3,900
Rural Development Advertising	97,500			3,800		97,500
Advertising for Tourism	150,000	70,004				223,804
Travel Development Shows	4,850					4,850
Motion Picture-Television	70,000				2,484	72,484
<u>Criminal Justice</u>						
Personnel	39,317					39,317
Operating	3,472					3,472
Travel	2,300					2,300
Standards & Goals	11,671					11,671
Local Match	134,391		240,213			374,604
Impact City	864					864
Operating Roll-Forward			1,888			1,888

	<u>Long Bill</u>	<u>Supplemental Appropriations</u>	<u>Prior Year Appropriation Roll Forward</u>	<u>Transfers</u>	<u>Revised General Fund Appropriations</u>
<u>Housing</u>				<u>Intra-Departmental</u> <u>Inter-Departmental</u>	
Personnel	297,254				316,469
Operating	19,445				22,177
Travel	41,117			19,215	41,641
Capital Outlay	5,250				5,344
Colorado Housing Finance Authority					
SB 127 - Camper					
<u>Local Government</u>					
Personnel	303,012				284,486
Operating	14,215	7,718		(3,355)	22,856
Travel	18,781				17,531
Capital Outlay	8,550				8,727
Special Purpose	1,500				1,500
Sanitation Engineering Plan	125,000				125,000
Sanitation Engineering Roll-Forward	200,000		106,766		106,766
Emergency Sewer & Water					200,000
Emergency Sewer & Water Roll-Forward			129,846		129,846
Plan Funds Dist	250,000				250,000
Plan Funds Dist Roll-Forward			248,040		248,040
Land Use ID Design & Administration	1,685,250				1,685,250
<u>Planning</u>					
Personnel	95,019				107,110
Operating	6,842	4,110		4,770	10,952
Travel	2,958				2,958
Contracts Coop Map USGS	333,500				333,500
<u>Property Taxation</u>					
Personnel	781,611				819,062
Operating	43,585	7,085		37,451	57,352
Travel	54,362	4,948			59,570
Capital Outlay	15,150				14,858
HB 1250 Roll-Forward			119,101		119,101
STACO				49,797	49,797
	<u>\$9,283,164</u>	<u>\$150,553</u>	<u>\$970,310</u>	<u>\$ -0-</u>	<u>\$10,596,887</u>

STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
SCHEDULE OF CHANGES IN AUGMENTING REVENUE
FISCAL YEAR ENDED JANUARY 30, 1977

	Long Bill	New Programs	Program Continued From Prior Year	Others	Transfer Intra-Departmental	Total Augmenting Revenue	Unearned	Funds Available Subsequent Year	Total Actual Revenue
<u>Administration</u>									
Personnel	\$ 127,578			\$ (16,287)	\$ (50,750)	\$ 60,541			\$ 60,541
Operating	21,654			984	(10,000)	12,638	3,758		8,880
Travel	26,600				(10,000)	16,600	3,119		13,481
EDA - 302			\$ 70,911		70,750	141,661	51,504		90,157
EDA - Boomtown			63,875			63,875		\$ 4,441	59,434
<u>Colorado Bureau of Investigation</u>									
Record Equipment			1,180			1,180	51		1,129
UCR-75			23,040			23,040			23,040
Laboratory Equipment			90,847			90,847		86,078	4,769
UCR - 76			119,769			119,769		3,585	116,184
CCIC									
Personnel				4,528	(580)	38,047	2,458		38,047
Operating						42,226			39,768
Travel									
Capital Outlay					580	75,508	2,178		73,330
Highway Safety Grant						40,000		13,675	26,325
Highway Safety Grant			14,110			14,110			14,110
<u>Colorado Law Enforcement Training Academy</u>									
Third Training Grant			5,970			5,970			5,970
Outreach Program			140,000			140,000	46,970	4,230	88,800
Currc. Dev.			13,649			35,649		22,000	13,649
Inst. Training						5,400		5,400	-0-
Training Specialist						39,286		15,366	23,920
Highway Safety Grant						22,241		8,167	14,074
<u>Commerce & Development</u>									
Four-Corner Regional Profiles			3,045			3,045	22		3,023

	<u>Long Bill</u>	<u>New Programs</u>	<u>Program Continued From Prior Year</u>	<u>Others</u>	<u>Transfer Intra-Departmental</u>	<u>Total Augmenting Revenue</u>	<u>Unearned</u>	<u>Funds Available Subsequent Year</u>	<u>Total Actual Revenue</u>
<u>Criminal Justice</u>									
Personnel	353,329			13,286		366,615	9,077		357,538
Operating	31,249			3,695		34,944	5,361		29,583
Travel	20,700					20,700	3,028		17,672
Standards & Goals	158,898		2,553			161,451			161,451
Impact City	7,750					7,750	2,817		4,933
Evaluation	52,288		13,672			65,960			65,960
Stat. Anal. Center	45,185		2,552			47,737			47,737
Capital Outlay			(33)			(33)			(33)
Disbursements	7,903,800		14,443,227			22,347,027	13,471,848		8,875,179
<u>Housing</u>									
Travel	5,000					5,000			5,000
Sale of Auto.				2,013		2,013			2,013
<u>Local Government</u>									
Land Use	250,000					250,000	232,765		17,235
Suppl. Planning		250,000				250,000	31,551		218,449
Land Use R.F.									
<u>Planning</u>									
Personnel	192,636			17,392		210,028	6,424		203,604
Operating	11,261			1,935		13,196	379		12,817
Travel	9,285					9,285	4,236		5,049
Contracts	400,000				(11,939)	388,061		246,181	141,880
USGS Mapping	333,500					333,500			333,500
Contracts R.F.			193,961		11,939	205,900	45,734		159,103
Four-Corner Topo. Map.		20,000				20,000		1,063	61
Four-Corner Eco. Model			28,429			28,429		7,896	20,533
UNTA Tech. Study			32,544			32,544	21,197		11,347
UNTA Vehicle Grants			46,443			46,443	21,444		24,999
Four-Corner Pop. Grant			17,970			17,970	8,244		9,726
Four-Corner Eco. Dev.		261,740				261,740		118,650	143,090
<u>Property Taxation</u>									
STACO	170,000					170,000	115,231		36,551
Totals	\$10,589,268	\$303,981	\$15,367,098	\$27,546	\$ -0-	\$26,287,893	\$14,089,396	\$574,889	\$11,623,608
Miscellaneous Receipts									349,596
General Fund									\$11,973,204

STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
YEAR ENDED JUNE 30, 1977

AUDITOR'S COMMENTS

INTRODUCTION

The objective of our examination of the Department of Local Affairs was to express an opinion on the enclosed financial statements for the year ending June 30, 1977. Our examination included:

1. Reviewing and evaluating internal controls and observing certain operating and administrative procedures;
2. Auditing financial transactions and other related activities on a test basis;
3. Evaluating and testing the department's financial compliance with state statutes and the "long appropriation bill" including all applicable headnotes and footnotes;
4. Agreeing the financial statements to amounts reported as actual expenditures in the Budget Request document for fiscal year 1979;
5. Reviewing the implementation of prior audit recommendations.

Our examination was not designed to disclose all weaknesses in the system of internal and administrative controls, nor was it designed to disclose all areas of non-compliance. However, our evaluations did disclose some areas in need of improvement and some areas of non-compliance. These are discussed in the following sections.

INDIRECT COSTS RECOVERIES

Several divisions of the Department of Local Affairs administer grants and contracts from the Federal Government. Although the Federal Government allows state agencies to recover indirect costs applicable to Federal grants and contracts (Federal Management Circular (FMC) 74-4), the Department of Local Affairs has chosen not to file an indirect cost rate proposal. The State fiscal rules state in Chapter 5 Section 6.21:

"In order for agencies to recover their indirect costs on Federal programs, the agencies must make timely filings of their indirect cost rate proposals.

Once the rates are approved by the approving authority, the agency should make every effort to see that this rate is included in their agreements negotiated with Federal agencies. The acceptance of a lower rate means that the State is having to absorb costs which are truly part of the Federal program."

The inclusion of indirect costs as expenditures in Federal grants would not have increased the amount of Federal participation in any of the programs we reviewed, but it would have indirectly reduced the State General Fund's participation in those programs to the minimum level required. By not charging indirect costs to Federally sponsored programs, the Department not only understates program costs, but inadvertently increases the matching requirements of the state.

Recommendation

1. Submit to the appropriate Federal Agencies, indirect cost rate proposals and make every effort to include this rate in all agreements negotiated with Federal agencies.

AGENCY RESPONSE: A central state agency should be designated to negotiate an indirect cost rate, department, by department, with all federal funding agencies. These funds, when secured, should then be reappropriated to each agency to maintain programmatic levels.

DUPLICATE ACCOUNTING RECORDS

The Colorado Bureau of Investigation (CBI) maintains two sets of accounting records. The primary records consist of those generated by the Central Accounting System (CAS) and the other records are those generated by the EDP accounting system which is a feature of the Colorado Crime Information Center (CCIC). We believe the secondary accounting system should be discarded for the following reasons:

1. It duplicates all information provided by the CAS;
2. It is no more timely than the CAS;
3. It provides an added expense to CBI in the EDP costs to process and maintain the computer programs as well as in personnel costs required to manually input the transactions into the CCIC accounting system;
4. It has never been approved by the State Controller.

In our report dated June 10, 1976, we recommended that approval should be obtained from the State Controller for all machine accounting systems in addition to the CAS. The State Controller reviewed CBI's secondary accounting system and did not approve it.

Recommendation

2. Discard the secondary accounting system at CBI.

AGENCY RESPONSE: This will be done effective October 1, 1978.

REVENUE SHARING - COMPLIANCE

The Department of Local Affairs, as a primary recipient of Revenue Sharing (RS) funds, is required to monitor those secondary recipients to whom they have made awards. The primary emphasis of monitoring secondary recipients is on compliance with the requirements of the Federal Davis-Bacon Act, the limitation of expenses after January 1, 1977 to expenditures unrelated to any lobbying effort and in determining the adequacy of the recipient's internal accounting controls. As of the date of this report, we found no evidence of any comprehensive monitoring effort.

Recommendation

3. Assign personnel the task of adequately monitoring secondary recipients of Revenue Sharing Funds under the Department, in accordance with Federal Revenue Sharing guidelines.

AGENCY RESPONSE: The recipients who are awarded revenue sharing money are already under the requirements of the federal Davis-Bacon Act through receipt of other direct federal funds. To assign a person, who we do not have, to monitor the use of the revenue sharing money would only duplicate work being done by the federal government, thereby increasing state expense.

GENERAL FIXED ASSETS

As stated in prior audits, the General Fixed Asset group of accounts is not adequately maintained. Neither the control

accounts on the CAS nor the subsidiary EDP records are maintained on a current basis. A Department-wide count of general fixed assets has not been performed since 1975. In addition, several deletions were posted to the subsidiary records without the approval of the Director of Purchasing, as required by the State Purchasing Manual.

Recommendations

4. Follow the State Purchasing Manual with regard to capital outlay additions and deletions.

AGENCY RESPONSE: To be implemented November 1, 1978. A letter is being prepared by the administration section, giving the divisions the guidelines for additions and deletions.

5. Maintain accurate and timely records of all fixed assets owned and used by the Department.

AGENCY RESPONSE: This will be implemented on October 1, 1978, after completion of the current inventory.

6. Annually account for and locate all general fixed assets owned, used or otherwise the responsibility of the Department.

AGENCY RESPONSE: An inventory will be made in September/October, after the year-end equipment runs are available from Accounts and Control.

SECURITY FOR PERSONNEL HISTORY FILES

The personnel files for the Department are kept in an unlocked file cabinet. Since the contents of these files are of a personal nature, access should be limited to responsible parties under the supervision of the personnel officer. Otherwise personal information may be obtained and used without serious need or approval.

Recommendation

7. Maintain all personnel files in locked file cabinets.

AGENCY RESPONSE: A replacement lock is on order.

JOURNAL ENTRIES

The journal entries we reviewed did not contain sufficient documentation or explanation to provide either an audit trail or clearly define their purpose.

Recommendation

8. Include adequate explanation and documentation for all journal entries.

AGENCY RESPONSE: This item was discussed with the accountant while the audit staff was conducting its audit. The explanation and documentation amounts was increased at that time.

STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS

JUNE 30, 1977

DISPOSITION OF PRIOR RECOMMENDATIONS

Following is a summary of prior year recommendations and their disposition at May 5, 1978.

<u>Prior Audit Recommendations</u>	<u>Disposition</u>
1. The Department should define the accounting and financial management approach to be maintained and assign the personnel to maintain that approach.	Recommendation <u>was</u> implemented.
2. Complete a Department review in conjunction with the Division of Accounts and Control of all hand and machine accounting systems.	Recommendation <u>was</u> implemented.
3. Obtain written approval of all hand and machine accounting systems in addition to the Central Accounting System (CAS) as required by the Fiscal Rules.	Recommendation <u>was</u> not implemented. See current recommendation #2.
4. Establish and maintain documentation relating to the procedures, objectives, and results of all accounting systems.	Recommendation <u>was</u> implemented.
5. Establish and assign procedures to assure Department administrative awareness, control and back up of all accounting efforts within the Department.	Recommendation <u>was</u> implemented.
6. Review the current reporting needs of division directors with the Division of Accounts and Control to determine the capability of the CAS in meeting those needs on a timely basis.	Recommendation <u>was</u> implemented.
7. Observe Controller's year-end closing instructions regarding accounts payable to be recovered from augmenting sources.	Recommendation <u>was</u> implemented.

Prior Audit Recommendations

Disposition

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| 8. The Division of Housing should require the submission of periodic progress and financial reports from grantees of State and Federal monies. | Recommendation <u>was</u> implemented. |
| 9. Establish schedules for and complete periodic audits of sub-grantee expenditures. | Recommendation <u>was</u> implemented. |
| 10. Develop adequate procedures to assure proper processing and recording of cash receipts. | Recommendation <u>was</u> implemented. |
| 11. Establish proper segregation of duties relating to the processing of cash receipts. | Recommendation <u>was</u> implemented. |
| 12. Provide cross-training of staff members for processing cash receipts to assure a continuous, consistent work flow. | Recommendation <u>was</u> implemented. |
| 13. The Colorado Law Enforcement Training Academy should obtain written approval from the Controller for weekly deposit of receipts. | Recommendation <u>was</u> implemented. |
| 14. Obtain the Controller's written approval for all checking accounts per Fiscal Rules. | Recommendation <u>was</u> implemented. |
| 15. File quarterly reports with the Controller for all checking accounts as required by the Fiscal Rules. | Recommendation <u>was</u> implemented. |
| 16. Establish proper segregation of duties over all checking accounts. | Recommendation <u>was</u> implemented. |
| 17. Review and implement Fiscal Rules for filing and payment of travel reports. | Recommendation <u>was</u> implemented. |
| 18. Prepare receiving reports and include them with vouchers to assure the proper receipt of goods and services. | Recommendation <u>was</u> implemented. |
| 19. Issue written instructions regarding the procedures and types of items to be included in a year-end consumable inventory count. | Recommendation <u>was</u> implemented. |

Prior Audit Recommendations

Disposition

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| 20. Include adequate explanation and documentation for all journal entries into the accounting system. | Recommendation <u>was not implemented.</u> See current year recommendation #8. |
| 21. Retain accounting records in accordance with State records retention guidelines. | Recommendation <u>was implemented.</u> |
| 22. Review and observe the Fiscal Rules regarding the proper procedures for recording fixed assets on the detail inventory listing. | Recommendation <u>was not implemented.</u> See current year recommendation #4. |
| 23. Affix and maintain State identification tags on all furniture and equipment. | Recommendation <u>was implemented.</u> |
| 24. Complete a yearly physical inventory of fixed assets, retain documentation and update ADP listings accordingly. | Recommendation <u>was not implemented.</u> See current year recommendation #5 and #6. |
| 25. Refer all obsolete fixed assets to the State Purchasing Director. | Recommendation <u>was not implemented.</u> See current year comment #4. |
| 26. Maintain daily time records to serve as a basis for distributing payroll costs. | Recommendation <u>was implemented.</u> |
| 27. Eliminate Division personnel files and rely on files maintained by the Department. | Recommendation <u>was implemented.</u> |
| 28. Review and update insurance coverage for all division. | Recommendation <u>was not implemented.</u> |
| 29. Transfer the processing of accounting records for the Land Use Commission to the Governor's Office. | Recommendation no longer applies. Land Use Commission merged with the Division of Planning. |
| 30. Consolidate responsibility for the Training Academy operations under the direction of one department. | Recommendation <u>was not implemented.</u> Requires legislative action. |

STATE OF COLORADO
DEPARTMENT OF LOCAL AFFAIRS
JUNE 30, 1977
DEPARTMENT ORGANIZATION

The Department of Local Affairs functions under Article 24-1 CRS 1973. The organizational units of the Department are:

- Office of the Executive Director
- Division of Local Government
- Division of Property Taxation
- Division of Commerce and Development
- Colorado Bureau of Investigation
- Colorado Law Enforcement Training Academy
- Division of Housing
- Division of Planning
- Division of Criminal Justice

Office of the Executive Director

The Executive Director provides the overall supervision of the activities of the divisions within the Department of Local Affairs and provides central administrative and accounting services for these agencies.

The Board of Assessment appeals operates directly under the purview of the Executive Director of the Department of Local Affairs. The Board hears appeals concerning property tax assessments.

Division of Local Government

The Division of Local Government provides technical assistance to local governments in the areas of finance, management, and

administration. It also administers emergency water and sewer grants provided by the State. The staff of this Division advises the Governor and the General Assembly on the changing problems confronting local governments and their officials.

Division of Property Taxation

The Division of Property Taxation provides guidance and assistance to local government property assessment agencies. The division assesses public utilities and makes property tax exemption determinations on certain properties. The Division also assists Colorado taxpayers on questions concerning property tax assessments.

Division of Commerce and Development

The Division of Commerce and Development plans and promotes the balanced economic development in Colorado. Services are provided by this division to promote and encourage the tourist market and use of Colorado locations for motion picture and television filming.

Additionally the Division is responsible for the following two offices:

- a) The Office of Rural Development which coordinates activities of state agencies involved in rural community development and non-metropolitan planning;
- b) The Four Corners Regional Commission alternate staff, which administers industrial development and community improvement projects in Colorado.

Colorado Bureau of Investigation

The Colorado Bureau of Investigation maintains central identification files to assist inquiries from law enforcement agencies. The Colorado Crime Information Center (CCIC) provides a computerized program directed at locating fugitives, missing persons, and lost, stolen, or recovered property. Upon request of local law enforcement officials, the CBI will aid in the investigation of crime and the enforcement of criminal laws. The laboratory section provides the technical services of analyzing physical evidence not available to the smaller communities. When directed by the Governor, the CBI will investigate other criminal activity.

Colorado Law Enforcement Training Academy

The Colorado Law Enforcement Training Academy is an educational institution which trains local law enforcement officers from localities throughout the state. The Academy evaluates the curriculum of other training academies in the state to assure their compliance with minimum standards for the training of law enforcement officers.

Division of Housing

The Division of Housing provides financial and technical assistance in the construction or rehabilitation of housing for low-income households. The Division also administers construction standards for factory-built housing and recreational vehicles manufactured or intended for sale in Colorado.

Division of Planning

The Division of Planning is responsible for Statewide cartography, demography, in addition to developing policies and strategies to assist counties and municipalities in the planning and management of their growth and development.

The Division includes the Land Use Commission and the Water Quality program, previously separate and directly under the Executive Director of Local Affairs.

Division of Criminal Justice

The Division of Criminal Justice implements for the state the federal Crime Control Act of 1973, and administers and monitors the Law Enforcement Assistance Administration (LEAA) funds allocated to Colorado for the improvement of the criminal justice system. The Division staff provides technical, planning and financial assistance regarding the criminal justice system in Colorado.