

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0922
Prime Sponsor(s): Rep. Williams
 Sen. Tochtrop

Date: April 9, 2013
Bill Status: House Finance
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TITLE: CONCERNING THE SUSPENSION OF RECOVERY AUDITS OF STATE AGENCIES UNTIL THE DATA NEEDED TO CONDUCT THE AUDITS IS INCLUDED IN A MODERNIZED COLORADO FINANCIAL REPORTING SYSTEM.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015	FY 2015-2016
State Revenue	Reduction. See State Revenue section.		
State Expenditures			
General Fund	(\$58,777)	(\$58,777)	(\$58,777)
FTE Position Change	(0.8 FTE)	(0.8 FTE)	(0.8 FTE)
Effective Date: Upon signature of the Governor, or upon becoming law without his signature.			
Appropriation Summary for FY 2013-2014: See State Appropriations section.			
Local Government Impact: None.			

Summary of Legislation

The bill extends the deadline for the State Controller to contract with one or more experienced consultants to conduct recovery audits while the Colorado Financial Reporting System (COFRS) modernization project is being completed. Current law requires that a contract be in place by July 1, 2014, for recovery audits for FY 2010-11, FY 2011-12, and FY 2012-13, with a new contract required every third year thereafter that is applicable to the preceding three fiscal years. The bill extends the contract deadline to July 31, 2017, for FY 2014-15, FY 2015-16, and FY 2016-17, with a new contract required every third year thereafter.

A recovery audit is a financial management tool used to identify improper payments made by a state agency to vendors and other entities in connection with payment activities of a state agency.

State Revenue

State revenue that would have been recovered as a result of recovery audits under the current schedule will be delayed under the bill's revised schedule. As the amount of revenue is dependent on the funds selected for audit and the timing and actual amount of recoveries received, it is not possible to estimate the amount of revenue that will be delayed. Disbursements from the initial recovery for the period FY 2007-08 to FY 2009-10 were \$13,024.

State Expenditures

Expenditures in the Department of Personnel and Administration (DPA) will decrease by \$58,777 General Fund and 0.8 FTE for FY 2013-14 through FY 2015-16. This amount includes personal services costs of \$58,064 and operating costs of \$713. House Bill 11-1307 provided the 0.8 FTE for the purpose of acting as a liaison between the audit recovery contractor and affected state departments, and to provide general support to the recovery audit process. This position is not required during the three-year delay established in the bill. The fiscal note assumes that DPA will utilize the annual budget process in FY 2016-17 to reestablish the liaison position, either through a permanent or contract position.

State Appropriations

For FY 2013-14, the Department of Personnel and Administration requires a reduction in General Fund appropriations of \$58,777 and 0.8 FTE.

Departments Contacted

State Auditor
Personnel
Human Services

Joint Budget Committee
Health Care Policy and Financing