

Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 26-0781.03 Stephanie Schrab x4330

HOUSE BILL 26-1254

HOUSE SPONSORSHIP

Brooks and Suckla, Bacon

SENATE SPONSORSHIP

Frizell,

House Committees

State, Civic, Military, & Veterans Affairs

Senate Committees

A BILL FOR AN ACT

101 CONCERNING THE ENFORCEMENT OF RECOMMENDATIONS MADE BY
102 THE STATE AUDITOR.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill defines "noncompliant state agency" with respect to the implementation date for an audit recommendation and requires the legislative audit committee (committee) to determine, by majority vote, whether or not a noncompliant state agency has made a good faith effort to comply with an audit recommendation by the implementation date. If the committee determines that the noncompliant state agency has made

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

a good faith effort, the committee may accept an extended implementation date provided by the noncompliant state agency. If the committee determines there has not been a good faith effort, the committee may direct the state auditor to notify the state controller of the noncompliant state agency. The bill also requires the state controller to, upon receipt of notice from the state auditor, restrict, in an amount equal to 3% of the total amount of the noncompliant state agency's general fund appropriations, the noncompliant state agency's appropriations for the fiscal year following the fiscal year in which the state controller receives the notice from the state auditor. This restriction may only be released if the general assembly enacts a bill to do so, or if the committee directs the state auditor to notify the state controller to rescind the restriction.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 2-3-103, **add** (9.6)
3 as follows:

4 **2-3-103. Duties of state auditor - definitions.**

5 (9.6) (a) AS USED IN THIS SECTION, UNLESS THE CONTEXT
6 OTHERWISE REQUIRES:

7 (I) "STATE AGENCY" MEANS A PRINCIPAL DEPARTMENT OF THE
8 EXECUTIVE BRANCH OF STATE GOVERNMENT OR ANY DIVISION OR
9 PROGRAM WITHIN A PRINCIPAL DEPARTMENT.

10 (II) "NONCOMPLIANT STATE AGENCY" MEANS A STATE AGENCY
11 THAT:

12 (A) WAS SUBJECT TO AN AUDIT THAT IDENTIFIED A SIGNIFICANT
13 PROBLEM OR A MATERIAL WEAKNESS IN THE STATE AGENCY;

14 (B) HAS, AT A HEARING OF THE LEGISLATIVE AUDIT COMMITTEE,
15 AGREED OR PARTIALLY AGREED TO THE AUDIT RECOMMENDATION AND
16 SELECTED A DATE FOR IMPLEMENTING THE AUDITOR'S RECOMMENDATION;
17 AND

18 (C) HAS NOT COMPLETED THE AUDIT RECOMMENDATION BY THAT
19 IMPLEMENTATION DATE.

1 (b) IF A STATE AGENCY BECOMES A NONCOMPLIANT STATE
2 AGENCY, THE LEGISLATIVE AUDIT COMMITTEE SHALL, AT ITS NEXT
3 REGULAR MEETING AND WITH A REPRESENTATIVE OF THE NONCOMPLIANT
4 STATE AGENCY PRESENT, DETERMINE WHETHER THE NONCOMPLIANT
5 STATE AGENCY HAS MADE A GOOD FAITH EFFORT TO COMPLETE THE
6 RECOMMENDATION OF THE AUDIT BY THE IMPLEMENTATION DATE.

7 (c) (I) IF THE LEGISLATIVE AUDIT COMMITTEE DETERMINES BY A
8 MAJORITY VOTE THAT THE NONCOMPLIANT STATE AGENCY HAS MADE A
9 GOOD FAITH EFFORT TO IMPLEMENT THE RECOMMENDATION BY THE
10 IMPLEMENTATION DATE, THE COMMITTEE MAY ACCEPT AN EXTENDED
11 IMPLEMENTATION DATE PROVIDED BY THE NONCOMPLIANT STATE
12 AGENCY.

13 (II) IF THE LEGISLATIVE AUDIT COMMITTEE DETERMINES BY A
14 MAJORITY VOTE THAT THE NONCOMPLIANT STATE AGENCY HAS NOT MADE
15 A GOOD FAITH EFFORT TO IMPLEMENT THE RECOMMENDATION BY THE
16 IMPLEMENTATION DATE, THE COMMITTEE MAY DIRECT THE STATE
17 AUDITOR TO TAKE THE ACTIONS SPECIFIED IN SUBSECTION (9.6)(e) OF THIS
18 SECTION.

19 (d) IF THE LEGISLATIVE AUDIT COMMITTEE EXTENDS THE
20 IMPLEMENTATION DATE AS SPECIFIED IN SUBSECTION (9.6)(c)(I) OF THIS
21 SECTION AND THE NONCOMPLIANT STATE AGENCY DOES NOT COMPLETE
22 THE AUDIT RECOMMENDATION BY THE EXTENDED IMPLEMENTATION DATE,
23 THE LEGISLATIVE AUDIT COMMITTEE MAY AGAIN DETERMINE WHETHER
24 THE NONCOMPLIANT STATE AGENCY MADE A GOOD FAITH EFFORT TO
25 IMPLEMENT THE AUDIT RECOMMENDATION PURSUANT TO SUBSECTION
26 (9.6)(b) OF THIS SECTION AND MAY THEN TAKE EITHER ACTION SPECIFIED
27 IN SUBSECTION (9.6)(c) OF THIS SECTION.

1 (e) THE LEGISLATIVE AUDIT COMMITTEE, BY A MAJORITY VOTE OF
2 THE COMMITTEE, MAY DIRECT THE STATE AUDITOR TO NOTIFY THE STATE
3 CONTROLLER WHEN A NONCOMPLIANT STATE AGENCY HAS NOT MADE A
4 GOOD FAITH EFFORT TO COMPLETE AN AUDIT RECOMMENDATION BY THE
5 IMPLEMENTATION DATE.

6 (f) THE STATE AUDITOR SHALL MAKE ONLY ONE NOTIFICATION
7 PURSUANT TO SUBSECTION (9.6)(e) OF THIS SECTION FOR A NONCOMPLIANT
8 STATE AGENCY FOR A SINGLE AUDIT, REGARDLESS OF THE NUMBER OF
9 AUDIT RECOMMENDATIONS THAT CAUSED THE STATE AGENCY TO BECOME
10 A NONCOMPLIANT STATE AGENCY.

11 **SECTION 2.** In Colorado Revised Statutes, **add 24-30-211** as
12 follows:

13 **24-30-211. Restriction of general fund appropriation - state**
14 **agency noncompliance with audit requirements - state auditor notice.**

15 IF THE STATE CONTROLLER RECEIVES NOTICE FROM THE STATE
16 AUDITOR OF A NONCOMPLIANT STATE AGENCY PURSUANT TO SECTION
17 2-3-103 (9.6), THE STATE CONTROLLER SHALL RESTRICT, IN AN AMOUNT
18 EQUAL TO THREE PERCENT OF THE TOTAL AMOUNT OF THE NONCOMPLIANT
19 STATE AGENCY'S GENERAL FUND APPROPRIATIONS, THE NONCOMPLIANT
20 STATE AGENCY'S APPROPRIATIONS FOR THE FISCAL YEAR FOLLOWING THE
21 FISCAL YEAR IN WHICH THE STATE CONTROLLER RECEIVES THE NOTICE
22 FROM THE STATE AUDITOR. THE GENERAL ASSEMBLY MAY ENACT A BILL
23 TO RELEASE THE RESTRICTION, OR THE LEGISLATIVE AUDIT COMMITTEE
24 MAY, BY MAJORITY VOTE, DIRECT THE STATE AUDITOR TO NOTIFY THE
25 STATE CONTROLLER TO RESCIND THE RESTRICTION IF THE STATE AUDITOR
26 DETERMINES THAT THE STATE AGENCY HAS BECOME COMPLIANT BEFORE
27 THE RESTRICTION TAKES EFFECT.

1 **SECTION 3. Act subject to petition - effective date.** This act
2 takes effect at 12:01 a.m. on the day following the expiration of the
3 ninety-day period after final adjournment of the general assembly (August
4 12, 2026, if adjournment sine die is on May 13, 2026); except that, if a
5 referendum petition is filed pursuant to section 1 (3) of article V of the
6 state constitution against this act or an item, section, or part of this act
7 within such period, then the act, item, section, or part will not take effect
8 unless approved by the people at the general election to be held in
9 November 2026 and, in such case, will take effect on the date of the
10 official declaration of the vote thereon by the governor.