
OLR Bill Analysis

sHB 5275

AN ACT CONCERNING AUDITS OF CERTAIN NONSTATE ENTITIES RECEIVING STATE FINANCIAL ASSISTANCE.

SUMMARY

By law, municipalities and other nonstate entities that spend substantial amounts of state funding during a fiscal year must undergo a single audit (i.e., an audit that generally covers the entity's financial statements and state assistance) or a program-specific audit (i.e., an audit of a single state program). This bill increases, from \$300,000 to \$500,000, the amount of state financial assistance a nonstate entity can spend in its fiscal year before it becomes subject to this audit requirement and related laws. The increased threshold applies to fiscal years starting on or after July 1, 2024.

By law, state agencies assigned to oversee these audits may extend the deadline for nonstate entities to file copies of their audits under certain conditions. The bill limits the maximum extension they can provide to 12 months after the end of the fiscal year to which the audit applies. By law, the Office of Policy and Management secretary can assess a civil penalty of between \$1,000 and \$10,000 for failing to file an audit report by the deadline (six months after the entity's fiscal year-end or within the time granted by the agency), but he can waive all penalties if he determines there is reasonable cause.

Lastly, the bill makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2024

BACKGROUND

Nonstate Entities Subject to Audit Requirements

The audit requirements for recipients of "state financial assistance" apply to municipalities, tourism districts, nonprofit agencies (including

private colleges and universities), special taxing districts, the Metropolitan District Commission, local and regional school boards, regional councils of government, and other political subdivisions or municipally created or designated agencies receiving more than \$1 million in annual revenue.

“State financial assistance” includes grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations that a nonstate entity receives or administers and a state agency provides. It does not include direct state cash assistance to individuals or payments to a vendor.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 21 Nay 0 (03/15/2024)