

**Second Regular Session  
Sixty-third General Assembly  
STATE OF COLORADO**

**INTRODUCED**

LLS NO. R02-0859.01 Jason Gelender

SJR02-004

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**SENATE SPONSORSHIP**

**Matsunaka**, Thiebaut, and Perlmutter

**HOUSE SPONSORSHIP**

**(None)**

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**Senate Committees**

**House Committees**

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**SENATE JOINT RESOLUTION 02-004**

101 **CONCERNING AUDITING REFORM.**

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1           WHEREAS, The recent collapse of the ENRON corporation has  
2 brought to light flaws, conflicts of interest, and abuses in the accounting  
3 and auditing industries that can adversely affect the American capital  
4 markets system and cause devastating and unforeseeable financial losses  
5 to working Americans; and

6           WHEREAS, The council of institutional investors, an organization  
7 of large public, Taft-Hartley, and corporate pension funds that seeks to  
8 address investment issues that affect the size or security of plan assets  
9 and that has the objectives of encouraging member funds, as major  
10 shareholders, to take an active role in protecting plan assets and helping  
11 members increase return on their investments as part of their fiduciary  
12 obligations, has proposed a number of reform measures that will help to  
13 ensure integrity in accounting and auditing and to protect the assets of  
14 investors; and

15           WHEREAS, The state auditor, the state treasurer, and the board  
16 of trustees of the public employees' retirement association should be  
17 encouraged to protect the assets of the state and of individual Coloradans

**Shading denotes HOUSE amendment.** Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

1 by retaining accounting and auditing firms that are willing to adhere to or  
2 support the reform measures proposed by the council of institutional  
3 investors; and

4 WHEREAS, Employees who participate in employer-sponsored  
5 401 (k) plans or other retirement plans offered by their employers that  
6 allow them to invest in employer stock should be able to have full access  
7 to accurate information regarding the financial condition of their  
8 employer so that they can make fully informed investment decisions;  
9 now, therefore,

10 *Be It Resolved by the Senate of the Sixty-third General Assembly*  
11 *of the State of Colorado, the House of Representatives concurring herein:*

12 (1) That the general assembly requests that the state auditor, the  
13 state treasurer, and the board of trustees of the public employees'  
14 retirement association only retain accounting firms that agree to adhere  
15 to or support the following reform measures that have been proposed by  
16 the council of institutional investors:

17 (a) A prohibition on the provision of nonauditing services to any  
18 client to whom a company provides auditing services;

19 (b) The development of one or more proposals to reform auditor  
20 oversight so that independent review replaces the current practice in the  
21 accounting profession of self-oversight of auditing practices;

22 (c) Increased disclosure of financial links and potential conflicts  
23 of interest between members of a company's board of directors and the  
24 company;

25 (d) More stringent stock exchange listing standards regarding the  
26 composition and independence of company boards of directors;

27 (e) The restoration of the proxy voting system through the  
28 elimination of the rule permitted by stock exchanges that allows brokers  
29 to vote on "routine" proposals including the election of directors and the  
30 ratification of auditors; and

31 (f) The meaningful updating of disclosure requirements for  
32 company financial information and other critical information.

33 (2) That any company is encouraged to allow employees who  
34 participate in a company-sponsored 401 (k) plan or any other retirement  
35 plan offered by the company that allows them to invest in company stock  
36 to be permitted to name an outside director to any audit committee  
37 evaluating the company so that the employees' interests can be  
38 represented and so that the employees can make fully informed  
39 investment decisions.

40 *Be It Further Resolved,* That copies of this Joint Resolution be  
41 sent to the state auditor, the state treasurer, and the board of trustees of  
42 the public employees' retirement association.