Office of the State Auditor

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April 15, 2026

Evaluation of a request for a performance audit of the Pet Animal Care Facilities Act Program

Members of the Legislative Audit Committee:

This memorandum is in response to a February 4, 2026 request for an audit of the Pet Animal Care and Facilities Act (PACFA) Program at the Colorado Department of Agriculture (Department), which our office received from Representative Ty Winter. The request expressed concerns with the Program's inspection coverage, follow-up and enforcement when violations are found, complaint handling, identification of and enforcement against unlicensed operators, and a lack of transparency regarding its processes. On February 25, 2026, the Legislative Audit Committee considered the audit request, attached here, and authorized our office to conduct preliminary research on the feasibility of an audit.

We have completed our preliminary research, and Representative Ty Winter has approved this memo. We conclude that, should the Legislative Audit Committee decide to move forward with an audit of the PACFA Program, we could conduct a performance audit that would address the following questions:

- How is the Program meeting its statutory obligations for inspections, investigations, and enforcement? Are enforcement actions conducted consistently and proportionately, particularly for repeat or high-risk violations?

- Is the Program effectively identifying, investigating, and enforcing against unlicensed operators?

- Does the Program provide sufficient transparency regarding violations, investigations, and enforcement actions to protect consumers and public safety?

- Does the Program deploy staffing and resources appropriately given the scope, complexity, and risk of its regulatory responsibilities?

By focusing on these issues, we would expect to provide members of the General Assembly and the public with valuable information on whether the Program is meeting requirements provided in statute and rule, achieving program goals, and has appropriate staffing levels and resources for inspections, investigations, and enforcement, including for unlicensed operators. We would also assess the sufficiency of information provided to the public and stakeholders related to program activities.

Background information

The PACFA Program is responsible for administering PACFA (Section 35-80-101 et seq., C.R.S.), which includes licensing and inspecting Colorado pet animal care facilities, such as breeders, boarders, shelters, groomers, and trainers, and ensuring these facilities follow requirements designed to protect the health and well-being of pet animals, the public, and consumers. The Program was appropriated 11 FTE and about $1.4 million for Fiscal Year 2026. The Program is primarily cash funded through licensing fees it collects from pet animal care facilities.

In addition to statute, the State Commissioner of Agriculture (Commissioner) has promulgated rules establishing requirements for pet animal care facilities, and providing administrative requirements for the Program (8 CCR 1202-15). Section 35-80-115, C.R.S., also establishes an Advisory Committee to assist the Commissioner in promulgating rules and regulations to carry out the provisions of PACFA. Currently, there are 17 positions on the Advisory Committee and members are appointed for 3-year terms. Each of the Advisory Committee members must represent different areas of pet animal care (e.g., animal rescue, breeders, boarders, groomers).

<u>Licensing Under PACFA</u>

Pet animal care facilities must undertake the following steps to obtain a license to operate in Colorado: (1) Apply for a license online using the PACFA Program licensing portal, (2) complete an online qualifying education course administered by the Program, which takes a few hours, (3) pass a pre-license inspection, conducted by a program inspector, and 4) submit licensing fees, which are due on an annual basis. PACFA has 16 licensing categories based on the type of facility, activities, or services provided, and the type of animal(s) at the facility. For example, license categories include animal rescue facilities, breeders, boarders, trainers, groomers facilities, and pet animal retailers. There is a licensing fee associated with each category, which ranges between $225 and $600. Facilities can be licensed under more than one category, in which case they must pay the fee for the highest-priced license category with an added $50 for each additional category. Fees are due each year by March 1, and the Program assesses late fees if facilities do not pay their fees on time. Exhibit 1 provides the number of active pet animal care licenses for Calendar Years 2023 through 2025.

Exhibit 1. Active Pet Animal Care Facility Licenses, Calendar Years 2023-2025

	Active Licenses
2023	1,853
2024	2,033
2025	2,190

Source: Information provided by PACFA Program.

Inspections

The PACFA Program is responsible for inspecting pet animal care facilities to ensure that they are in compliance with applicable statutes and rules. During inspections, Program staff inspect the animals at the facility, the physical premises, equipment used, enclosures, and vehicles used to transport animals. Inspectors also review the facilities' programs of animal care, cleaning/sanitation, veterinary care, and record keeping to ensure compliance with applicable statute and rules. The Program's inspectors conduct routine inspections, which are typically unannounced, pre-license inspections when a facility applies for a new license, inspections in response to complaints, and follow-up inspections to ensure previously identified problems have been corrected. According to the Program, complaint inspections and pre-license inspections take priority over routine inspections. If there is no authorized adult at the facility when the inspector arrives, the inspector cannot conduct the inspection and records this as an attempted inspection and will return to conduct the inspection at a later time.

The Program has divided the state into territories for the purposes of assigning inspectors, with each inspector covering a territory with approximately 300 to 400 licensed facilities/operators. Statute and program rules do not specify how frequently facilities must be inspected; however, the Program has set a goal that its inspectors will try to complete routine inspections at all facilities in their territory each year. According to Program management, it is not always possible for inspectors to meet this goal, but for performance management purposes, it considers inspectors to be highly effective if they complete routine or pre-license inspections for at least 85 percent of the active licensed facilities in their territories each year. According to the Program, collectively its inspectors have completed routine or pre-license inspections at over 85 percent of licensed facilities each year between Fiscal Years 2023 and 2025. Exhibit 2 provides information on the Program's inspection activities.

Exhibit 2. PACFA Program Inspections, Calendar Years 2023 through 2025

Inspections	Calendar Year 2023	Calendar Year 2024	Calendar Year 2025
Routine	1,196	1,260	1,735
Pre-License	473	660	520
Follow-up	428	337	465
Complaint-based[1]	321	139	135
Attempted[2]	135	0	0

Unclassified	13	2	0
Total Inspections	2,566	2,398	2,855
Active Licenses	1,853	2,033	2,190
Percentage of Active Licenses with Routine Inspection	65%	62%	79%
Percentage of Active Licenses with Routine or Pre-license Inspection	90%	94%	103%[3]

Source: Office of the State Auditor review of information provided by the PACFA Program.

[1]According to the PACFA Program, the substantial decrease in reported complaint-based inspections from Calendar Year 2023 to 2024 is due to information system changes that resulted in changes in how the number of complaint-based inspections is tracked, which improved the accuracy of this metric.

[2]According to the PACFA Program, information systems changes implemented in 2023 have allowed inspectors to reduce incomplete attempts by providing more flexibility to reschedule inspections when they cannot complete an unannounced inspection.

[3]Percentage of active licenses with inspections above 100 percent indicates that some facilities had more than one inspection in the year.

At the conclusion of each inspection, the inspector conducts an exit interview with the facility operator and issues an inspection report documenting their findings. If the inspector does not identify any violations, the report indicates that the outcome of the inspection was that the facility was compliant. If the inspector finds violations, the outcome of the inspection depends on the severity of the violations. For less impactful violations that do not have a direct impact on animal health, safety and welfare, the inspector will indicate in the report that the facility was non-compliant. For more serious violations that directly impact the health, safety, and welfare of animals, the inspector will report the facility as failing the inspection. Facilities can also fail inspections if they do not allow reasonable access for the inspection, have repeat violations, and, for pre-license inspections, if they do not meet all the requirements for operation and licensure. When inspectors find violations, they explain the issues to the facility operator, educate the operator about the applicable requirements, and set expectations about when problems need to be corrected. For serious violations that impact animal welfare, the Program expects facilities to make corrections immediately, but for minor violations that require significant time and costs to correct, the inspector may work with the facility to establish a timeline to correct the violation. Facilities are also required to submit a correction plan to the Program within 20 days of an inspection that found violations. Inspectors will then conduct a follow-up inspection to ensure that the problems have been corrected. A required Sunset Review Report issued by the Department of Regulatory Agencies (DORA) in 2025 provided the following information on inspection results.

Exhibit 3. PACFA Program Inspection Results, Calendar Years 2020 to 2024

Inspection Results by Calendar Year

Type of Inspection	2020	2021	2022	2023	2024
Compliant	976	1,002	812	953	814
Noncompliant	498	477	550	687	790
Corrected Violations	342	328	378	362	399
Incomplete Attempt	636	669	684	408	189
Failed, Repeat violations	24	15	16	7	25
Failed, Failure to meet requirements	26	27	24	35	92
Failed, Requirements not met for licensure	40	46	28	12	19
Failed, Inspector access denied	0	1	0	2	4
Failed, Direct violations affecting animal welfare	40	37	50	38	56
Follow-Up Pending	71	72	63	62	10
Total	**2,653**	**2,674**	**2,605**	**2,566**	**2,398**

Source: Department of Regulatory Agencies' 2025 PACFA Sunset Review.

Complaints

The PACFA Program receives complaints regarding facilities from a variety of sources, such as the general public, consumers, law enforcement agencies, humane organizations, and animal care and control agencies. Regardless of the source of the complaint, the Program requires complaints to be filed in writing either by using a portal on the agency's website or by email. Once it receives a written complaint, the Program creates a complaint case to track and document its investigation and assigns it to an inspector or investigator, with inspectors handling complaints against licensed facilities and investigators handling complaints related to an unlicensed facility.

The Program has established a goal of initiating investigations of all complaints within 5 days of receiving the complaint and to close the complaint within 2 weeks. However, the Program expects inspectors/investigators to respond to complaints that allege issues related to animal welfare as soon as possible, ideally within 24-48 hours. The Program prioritizes complaint investigations over routine and follow-up inspections.

The Program handles its investigation of persons, firms, or facilities operating a pet animal facility without a license through the complaint investigation process. The Program may learn of potential unlicensed facilities through complaints submitted by the general public or through information gathered by program staff. For example, investigators/inspectors may find an unlicensed operator advertising services online or observe a potentially unlicensed facility operating in the course of travelling their territory for inspections. When program staff obtain information that indicates a

potentially unlicensed operator, a complaint is also generated in the Programs tracking system, so that it can be assigned to an investigator.

Complaints investigations can include inspections, phone calls, and emails, as needed, for the inspector/investigator to determine if violations are occurring or if a facility is operating without a license. In some cases, complaint cases require coordination with law enforcement or local agencies who may also be conducting investigations of the alleged activities. Complaints can result in a variety of outcomes depending on the results of the investigation and the problems identified. For example, the Program may determine that no violations were occurring or that a facility was not required to be licensed. If violations are found, it may issue civil penalties, send cease and desist orders, issue a warning, or perform follow-up inspections to ensure that a facility is complying. According to the Program, when it identifies facilities that are operating without a license, it attempts to educate the operator about the licensing requirements so that they can take the steps to become licensed (including undergoing a pre-licensing inspection).

When the investigation is complete, the inspector/investigator issues a case report documenting the investigation and their findings. The Program considers cases closed after the investigation, completion of the case report, and associated appeals or legal proceedings have concluded and final decisions are issued, if applicable. Exhibit 4 provides information on the number of complaints the Program received and closed during Calendar Years 2021 through 2024.

Exhibit 4. PACFA Program Complaints Received, Closed and Open as of Calendar Year End, Calendar Years 2021 through 2024

Year	Total Received	Closed	Open	Percent Closed
2021	609	501	108	82%
2022	686	594	92	87%
2023	698	628	70	90%
2024	647	544	103	84%

Source: Office of the State Auditor review of information from the Department of Regulatory Agencies 2025 PACFA Sunset Review

Enforcement Activity

Although the PACFA Program's focus is on using its inspection and licensing process to educate facility operators on the applicable requirements and bring them into compliance, it also has the authority to take punitive enforcement actions against facilities that operate in violation of PACFA or applicable rules. For example, it can issue criminal penalties for persons operating without a license, and/or deny, revoke or suspend operators' licenses. The Program can also issue civil penalties for violations of PACFA and late fees when facilities do not remit their license fees on time. According to the Program, it typically takes punitive action for serious violations, and when facilities are

repeatedly non-compliant and do not take action to address violations or obtain a license when operating without one. Notably, the PACFA Program does not have the authority to seize animals or property. When the Program identifies serious violations related to animal welfare, it reports them to law enforcement and the Department's Bureau of Animal Protection, which have the authority to remove animals from a facility and file criminal charges.

Exhibits 5 and 6, taken from DORA's 2025 PACFA Sunset Review, provides information on enforcement actions, late fees, and civil penalties taken by the PACFA Program in recent years.

Exhibit 5. PACFA Program Enforcement Actions, Calendar Years 2020 through 2024

Enforcement Actions
By Calendar Year

Disciplinary Action	2020	2021	2022	2023	2024
Revocation/Surrender/Voluntary Relinquishment	2	0	1	2	1
Suspension	0	1	0	0	0
Stipulated Order/Probation	1	1	0	4	4
License Denied	2	0	3	7	6
Permanent Injunction/Contempt of Court	0	1	0	0	3
Total	**5**	**3**	**4**	**13**	**14**

Source: Department of Regulatory Agencies 2025 PACFA Sunset Review

Exhibit 6. PACFA Program Late Fees and Civil Penalties, Fiscal Years 2020 through 2024

Late Fees and Civil Penalties

	Late Fees		Civil Penalties		
Fiscal Year	Number	Amount	Number	Amount	Collected
19-20	175	$7,524	25	$21,900	$29,424
20-21	164	$7,018	61	$17,600	$24,618
21-22	233	$11,350	65	$12,755	$24,105
22-23	244	$11,825	58	$12,950	$24,775
23-24	420	$19,006	34	$15,900	$34,906
Total	**1,236**	**$56,723**	**243**	**$81,105**	**$137,828**

Source: Department of Regulatory Agencies 2025 PACFA Sunset Review

Public access to PACFA Program Information

The Program does not publicly publish information related to complaints it receives, or the investigations and inspections it conducts. However, this information is available under the Colorado

Open Records Act (CORA) once the investigation is complete and the case closed. The Program maintains a form on its website for CORA requests for PACFA Program information.

Sunset Review and Prior Audit

As mentioned, in October 2025, DORA completed a Sunset Review of the Program. Section 24-34-104 C.R.S., requires that regulatory agencies, including the PACFA Program, undergo periodic sunset reviews, after which the General Assembly must determine whether and for how long to continue the program (up to 15 years). Sunset reviews assess programs against specific statutory criteria outlined in Section 24-34-104 (6)(b), C.R.S., which include determining whether the regulation or program continues to be necessary to protect the public health, safety and welfare and whether changes to the program's operations, administration, and/or statutory/regulatory structure are warranted. The 2025 review had 11 recommendations, which included the following:

- The PACFA Program should be continued for 15 years.
- The Advisory Committee membership should be amended by repealing the committee seats reserved for specific license categories and, instead, require the Commissioner to appoint representatives from 10 separate license categories.
- The length of advisory committee members' terms should be changed from 3 to 4 years and members should be limited to two consecutive terms.
- Codify in statute the Commissioner's rule concerning veterinary certificates of health requirements for the importation of pet animals into the state.
- Authorize the Commissioner to adopt rules to extend the holding period for animals admitted to shelters.
- Repeal the cap on license fees, which are currently limited to $700.
- Increase the Commissioner's fining authority from $1,000 to $2,500 to account for inflation.
- Establish a time period during which a cease and desist order sent to individuals/facilities found to be in violation of PACFA or program rules may be contested.
- Relocate the authorizing statute for the Pet Overpopulation Authority and Fund. Although the Pet Overpopulation Authority and Fund are established under PACFA and must therefore, undergo a sunset review, they are not administered by the Department or overseen by the Commissioner. For this reason, DORA recommended moving their authorizing statutes, so that the Authority and Fund would not need to be reviewed and reauthorized whenever PACFA undergoes a sunset review.
- The Department should review the Commissioner's rulemaking authority under PACFA to determine whether exceptions to the spay and neuter requirement may be adopted by rule or if a statutory change is necessary.
- The Department should publish all public disciplinary actions, such as license suspensions, restrictions and revocations, so that the public may easily access them, including the associated public documents, such as final agency orders.

House Bill 26-1183, which at the time this memo was prepared had passed the House and was under consideration in the Senate, would implement recommendations from DORA's Sunset Review by:

- Continuing the PACFA Program for 8 years, until 2034.
- Amending the PACFA Advisory Committee membership structure.
- Prohibiting the importation of certain pet animals into the state without a valid certificate of veterinary inspection.
- Increasing the maximum license fee amount from $700 to $1,500.
- Raising the maximum civil penalty amount from $1,000 per violation to $2,500.
- Providing that a person who requests a hearing in response to a cease and desist order issued by the Commissioner for a violation of PACFA or PACFA rules must do so within 30 days of the issuance of the order.
- Requires the Commissioner to develop an administrative process for an interested person to petition for the issuance, amendment, or repeal of a rule adopted by the Commissioner.
- Relocates the statute that established the pet overpopulation authority so the authority is no longer subject to a sunset review as part of PACFA.

The scope of the Sunset Review could overlap with the potential questions a performance audit of PACFA could answer that are outlined above. For example, the Sunset Review recommendations regarding increasing licensing fees and the Program's fining authority would be relevant to assessing the adequacy of program resources and the effectiveness of its enforcement activities. Similarly, the Sunset Review recommendation to publish public disciplinary actions would be relevant to determining whether the Program is sufficiently transparent regarding its enforcement activities. However, the Sunset Review did not directly address the concerns raised in the audit request. If the Legislative Audit Committee approves the requested audit, we would work with the Department and Program management to understand their efforts to address the recommendations from the Sunset Review and review any legislative changes that may occur as a result of the recommendations. We would then plan the audit to not include a review of issues that have already been addressed.

In addition to the Sunset Review, the Office of the State Auditor published a performance audit of the PACFA Program in 2015. Key recommendations included improving the oversight of the inspection process, strengthening program effectiveness by using enforcement provisions, improving controls for ensuring inspection results and enforcement actions are consistent, and improving controls for inspection staff to identify and disclose actual and perceived conflicts of interest. The Department agreed with these recommendations and reported that it had fully implemented all of them.