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### GOVERNMENT CODE - GOV

#### TITLE 2. GOVERNMENT OF THE STATE OF CALIFORNIA [8000 - 22980] ( Title 2 enacted by Stats. 1943, Ch. 134. )

#### DIVISION 1. GENERAL [8000 - 8899.95] ( Division 1 enacted by Stats. 1943, Ch. 134. )

#### CHAPTER 6.5. California State Auditor [8543 - 8548.9] ( Heading of Chapter 6.5 amended by Stats. 2012, Ch. 281, Sec. 4. )

#### ARTICLE 2. Powers and Duties [8546 - 8546.11] ( Article 2 added by Stats. 1993, Ch. 12, Sec. 8. )

**8546.** It is the intent of the Legislature that the California State Auditor's Office have the independence necessary to conduct all of its audits in conformity with "Government Auditing Standards" published by the Comptroller General of the United States and the standards published by the American Institute of Certified Public Accountants, free from influence of existing state control agencies that could be the subject of audits conducted by the office. Therefore, all of the following exclusions apply to the office:

- (a) Notwithstanding Section 19790, the California State Auditor shall establish an equal employment opportunity program that shall meet the criteria and objectives established by the State Personnel Board. The California State Auditor shall report annually to the State Personnel Board and the commission regarding the program.
- (b) Notwithstanding Section 12470, the California State Auditor shall be responsible for maintaining its payroll system. In lieu of audits of the uniform payroll system performed by the Controller or any other department, the office shall contract pursuant to subdivision (e) of Section 8544.5 for an annual audit of its payroll and financial operations by an independent public accountant.
- (c) Notwithstanding Section 13292, the California State Auditor is delegated the authority to establish and administer the fiscal and administrative policies of the office in conformity with the State Administrative Manual without oversight by the Department of Finance, the Department of Information Technology, or any other state agency.
- (d) Notwithstanding Section 11032, the California State Auditor may approve actual and necessary traveling expenses for travel outside the state for officers and employees of the office.
- (e) Notwithstanding Section 11033, the California State Auditor or officers and employees of the office may be absent from the state on business of the state upon approval of the California State Auditor or Chief Deputy California State Auditor.
- (f) Sections 11040, 11042, and 11043 shall not apply to the California State Auditor's Office. The California State Auditor may employ legal counsel under those terms that he or she deems necessary to conduct the legal business of, or render legal counsel to, the California State Auditor.
- (g) The provisions and definitions of Article 2 (commencing with Section 11342.510) of Chapter 3.5 of Division 3 shall not be construed to include the California State Auditor's Office. The California State Auditor may adopt regulations necessary for the operation of the office pursuant to the provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Division 3), but these regulations shall not be subject to the review or approval of the Office of Administrative Law.
- (h) The California State Auditor shall be exempt from all contract requirements of the Public Contract Code that require oversight, review, or approval by the Department of General Services or any other state agency. The California State Auditor may contract on behalf of the State of California for goods and services that he or she deems necessary for the furtherance of the purposes of the office.
- (i) (1) Subject to Article VII of the California Constitution, the California State Auditor is delegated the authority to establish and administer the personnel policies and practices of the California State Auditor's Office in conformity with Part 2.6 (commencing with Section 19815) of Division 5 of Title 2 without oversight or approval by the Department of Human Resources.  
  
(2) At the election of the California State Auditor, officers and employees of the office may participate in benefits programs administered by the Department of Human Resources subject to the same conditions for participation that apply to civil service employees in other state agencies. For the purposes of benefits programs administration only, the California State Auditor is subject to the determinations of the department. The California State Auditor's Office shall reimburse the Department of Human

Resources for the normal administrative costs incurred by the Department of Human Resources and for any extraordinary costs resulting from the inclusion of the office employees in these state benefit programs.

*(Amended by Stats. 2012, Ch. 281, Sec. 25. (SB 1395) Effective January 1, 2013.)*

**8546.1.** (a) The California State Auditor shall conduct financial and performance audits as directed by statute. The California State Auditor may conduct these audits of any state agency as defined by Section 11000, whether created by the California Constitution or otherwise, any local governmental agency, including any city, county, and school or special district, or any publicly created entity. However, the California State Auditor shall not audit the activities of the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy or the Legislature to ensure compliance with government auditing standards.

(b) The California State Auditor shall conduct any audit of a state or local governmental agency or any other publicly created entity that is requested by the Joint Legislative Audit Committee to the extent that funding is available and pursuant to the priority established by the committee with respect to other audits requested by the committee. Members of the Legislature may submit requests for audits to the committee for its consideration and approval. Any audit request approved by the committee shall be forwarded to the California State Auditor as a committee request.

(c) The California State Auditor shall complete any audit in a timely manner and pursuant to the "Government Auditing Standards" published by the Comptroller General of the United States.

(d) The California State Auditor, after performing an audit pursuant to subdivision (a) or (b), may conduct additional followup audit work that is related to any findings and recommendations related to those audits.

(e) Immediately upon completion of the audit, the California State Auditor shall transmit a copy of the audit report to the commission. Not later than 24 hours after delivery to the commission, the California State Auditor shall deliver the report to the Legislature, appropriate committees or subcommittees of the Legislature, and the Governor. Once transmitted to these parties, the report shall be made available to the public.

*(Amended by Stats. 2013, Ch. 189, Sec. 1. (AB 1218) Effective January 1, 2014.)*

**8546.2.** (a) The California State Auditor shall request that any state agency, as defined in Section 11000, whether created by the California Constitution or otherwise, any local governmental agency, including any city, county, city and county, school, or special district, or any publicly created entity, that is the subject of an audit or investigation conducted pursuant to this chapter provide updates on its progress in implementing the recommendations made by the California State Auditor, at intervals prescribed by the California State Auditor.

(b) Any state agency described in subdivision (a) shall provide the California State Auditor, in the form prescribed by the California State Auditor, with updates on implementation of recommendations as described in subdivision (a).

*(Amended by Stats. 2012, Ch. 281, Sec. 27. (SB 1395) Effective January 1, 2013.)*

**8546.3.** The California State Auditor shall examine and report annually upon the financial statements otherwise prepared by the executive branch of the state so that the Legislature and the public will be informed of the adequacy of those financial statements in compliance with generally accepted accounting principles. In making that examination, the California State Auditor may make the audit examination of accounts and records, accounting procedures, and internal auditing performance that he or she determines to be necessary to disclose all material facts necessary to proper reporting in accordance with the federal Single Audit Act of 1984 (31 U.S.C. Sec. 7501 et seq.) and the purposes set forth in Section 8521.5.

*(Amended by Stats. 2012, Ch. 281, Sec. 28. (SB 1395) Effective January 1, 2013.)*

**8546.4.** (a) The California State Auditor shall annually issue an auditor's report based upon the general purpose financial statements included in the Controller's annual report that is submitted to the Governor pursuant to Section 12460. The report shall be in accordance with the "Government Auditing Standards" published by the Comptroller General of the United States and the standards published by the American Institute of Certified Public Accountants.

(b) The California State Auditor, in the performance of this annual audit and any other audit or investigation undertaken by the office, may examine all the financial records, accounts, and documents of any state agency as defined by Section 11000.

(c) The California State Auditor shall rely, to the maximum extent possible, upon the audits performed by the Controller, the Department of Finance, internal auditors of state agencies, and independent contractors. The Director of Finance shall be responsible for coordinating and providing technical assistance to the internal auditors of state agencies. Nothing in this article is intended to reduce or restrict the operations of internal auditors whose review of internal financial and administrative controls of state agencies is essential for coordinated audits.

(d) State agencies receiving federal funds shall be primarily responsible for arranging for federally required financial and compliance audits. State agencies shall immediately notify the Director of Finance, the California State Auditor, and the Controller when they are required to obtain federally required financial and compliance audits. The Director of Finance, the California State Auditor, and the

Controller shall coordinate the procurement by state agencies, including any negotiations with cognizant federal agencies, of federally required financial and compliance audits.

(e) To prevent duplication of the annual audit conducted by the California State Auditor pursuant to subdivision (a), except for those state agencies that are required by state law to obtain an annual audit, no state agency shall enter into a contract for a financial or compliance audit without prior written approval of the Controller and the Director of Finance, which approval shall state the reason for the contract and shall be filed with the California State Auditor at least 30 days prior to the award of the contract. No funds appropriated by the Legislature shall be encumbered for the purpose of funding any contract for an audit that duplicates the annual financial audit conducted by the California State Auditor.

(f) Notwithstanding any other provision of this article, nothing in this section shall be construed to limit, restrict, or otherwise infringe upon the constitutional or statutory authority of the Controller to superintend the fiscal concerns of the state.

(g) Except as provided in subdivision (b), notwithstanding any other provision of this article, nothing in this section shall be construed to limit, restrict, or otherwise infringe upon the statutory authority of the Director of Finance to supervise the financial and business policies of the state.

*(Amended by Stats. 2012, Ch. 281, Sec. 29. (SB 1395) Effective January 1, 2013.)*

**8546.5.** (a) The California State Auditor may establish a high-risk government agency audit program for the purpose of identifying, auditing, and issuing reports on any agency of the state, whether created by the California Constitution or otherwise, as well as statewide issues, that the California State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, and mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness.

(b) In addition to identifying an agency as high risk on the basis of weaknesses identified in audit and investigative reports produced by the office, the California State Auditor may consult with the Legislative Analyst, the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy, the Office of Inspector General within the Department of Corrections and Rehabilitation, the Department of Finance, and other state agencies that have oversight responsibilities over any other agency of the state, in identifying state agencies that are at high risk.

(c) The California State Auditor shall notify the Joint Legislative Audit Committee whenever it identifies a state agency as at high risk.

(d) The California State Auditor may issue audit reports with recommendations for improvement in state agencies, and for statewide issues, identified as at high risk not less than once every two years.

(e) The California State Auditor may require state agencies identified as high risk, or as responsible for all or a portion of a statewide issue identified as high risk, to periodically report to the auditor regarding the status of recommendations for improvement made by the California State Auditor or other state oversight agencies.

*(Amended by Stats. 2012, Ch. 281, Sec. 30. (SB 1395) Effective January 1, 2013.)*

**8546.6.** The California State Auditor, in connection with any audit or investigation conducted pursuant to this chapter, shall be deemed to be a department head for the purposes of Section 11189.

*(Amended by Stats. 2012, Ch. 281, Sec. 31. (SB 1395) Effective January 1, 2013.)*

**8546.7.** Notwithstanding any other provision of law, every contract involving the expenditure of public funds in excess of ten thousand dollars (\$10,000) entered into by any state agency, board, commission, or department or by any other public entity, including a city, county, city and county, or district, shall be subject to the examination and audit of the California State Auditor, at the request of the public entity or as part of any audit of the public entity, for a period of three years after final payment under the contract. Every contract shall contain a provision stating that the contracting parties shall be subject to that examination and audit. The failure of a contract to contain this provision shall not preclude the California State Auditor from conducting an examination and audit of the contract at the request of the public entity entering into the contract or as part of any audit of the public entity.

It is the intent of the Legislature that the Regents of the University of California include in contracts involving the expenditure of state funds in excess of ten thousand dollars (\$10,000) a provision stating that the contracting parties shall be subject to the examination and audit of the California State Auditor, at the request of the regents or as part of any audit of the university, for a period of three years after final payment under the contract.

The examinations and audits under this section shall be confined to those matters connected with the performance of the contract, including, but not limited to, the costs of administering the contract.

*(Amended by Stats. 2012, Ch. 281, Sec. 32. (SB 1395) Effective January 1, 2013.)*

**8546.8.** Unless the contrary is stated or clearly appears from the context, any reference to the Auditor General or the Office of the Auditor General in any statute or contract in effect on the effective date of this chapter, other than Chapter 4 (commencing with Section 10500), with respect to the performance of audits, shall be construed to refer to the California State Auditor and the California State Auditor's Office, respectively.

*(Amended by Stats. 2012, Ch. 281, Sec. 33. (SB 1395) Effective January 1, 2013.)*

**8546.10.** (a) The California State Auditor may establish a high-risk local government agency audit program for the purpose of identifying, auditing, and issuing reports on any local government agency, including, but not limited to, any city, county, special district, or any publicly created entity, whether created by the California Constitution or otherwise, that the California State Auditor identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness.

(b) In addition to identifying a local government agency as high risk on the basis of weaknesses identified in audit and investigative reports produced by the office, the California State Auditor may review publicly available information and consult with the Controller, Attorney General, and other state agencies that have oversight responsibilities over any local government agency, in identifying local governments that are at high risk.

(c) The California State Auditor's Office shall be responsible for the state costs associated with the high-risk local government agency audit program, shall conduct the program as funds permit, and shall only conduct the program to the extent that it does not interfere with duties related to mandated audits and requests from the Joint Legislative Audit Committee.

(d) (1) The California State Auditor shall notify the Joint Legislative Audit Committee whenever he or she identifies a local government as at high risk.

(2) The California State Auditor shall provide the Joint Legislative Audit Committee, at a public hearing of the committee, an annual update of all audits in progress.

(3) If a local government agency has taken significant corrective measures for deficiencies identified by the California State Auditor, that agency shall be removed from the high-risk local government agency audit program.

(e) Notwithstanding the requirements of Section 10231.5, if the California State Auditor establishes the program provided for in this section and the California State Auditor determines that a local government agency is at high risk, the California State Auditor shall issue audit reports at least once every three years with recommendations for improvement in the local government so identified.

(f) Audits conducted pursuant to this section shall be approved by the Joint Legislative Audit Committee.

(g) (1) The California State Auditor may conduct an initial assessment at a local government agency prior to conducting an audit, during which he or she may gather any publicly available information from a local government agency and any additional information, including any interviews, that the local government agency is willing to provide, for the purpose of identifying whether or not it is a high-risk local government agency.

(2) Before beginning an initial assessment at a local government agency, the California State Auditor shall notify the Joint Legislative Audit Committee in writing which local government agency will be assessed.

*(Amended by Stats. 2018, Ch. 515, Sec. 1.5. (SB 1293) Effective January 1, 2019.)*

**8546.11.** (a) The California State Auditor shall conduct an audit of the County of Mendocino by January 1, 2026, which shall include, but not be limited to, all of the following.

(1) Any potential waste, fraud, abuse, and mismanagement.

(2) The county's administration of elections in 2024.

(3) Contracting and procurement.

(b) Notwithstanding Section 10231.5, the California State Auditor shall report their findings to the Legislature, including the Assembly Committee on Budget, the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Local Government, and the Senate Committee on Local Government, by January 1, 2026.

*(Added by Stats. 2024, Ch. 41, Sec. 31. (SB 164) Effective June 29, 2024.)*