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AB-2822 California State Auditor: high-risk local government agency audit program. (2017-2018)

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Assembly Bill No. 2822

CHAPTER 498

An act to amend Section 8546.10 of the Government Code, relating to state government.

[Approved by Governor September 18, 2018. Filed with Secretary of State September 18, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2822, Obernolte. California State Auditor: high-risk local government agency audit program.

Existing law establishes the California State Auditor's Office, headed by the appointed California State Auditor and under the direction of the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy, with specified duties that include, among others, conducting financial and performance audits as directed by statute. Existing law authorizes the auditor to establish a high-risk local government agency audit program for the purpose of identifying, auditing, and issuing reports on any local government agency that he or she identifies as at high risk for fraud or waste, among other things. Existing law authorizes the auditor to consult with the Controller, Attorney General, and other state agencies that have oversight responsibilities over any local government agency to identify local governments that are at high risk.

This bill would additionally authorize the California State Auditor to review publicly available information to identify local governments that are at high risk.

This bill would incorporate additional changes to Section 8546.10 of the Government Code proposed by SB 1293 to be operative only if this bill and SB 1293 are enacted and this bill is enacted last.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 8546.10 of the Government Code is amended to read:

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 agency is at high risk, the California State Auditor shall issue audit reports at least once every two years with recommendations for improvement in such a local government so identified.

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

SEC. 1.5. Section 8546.10 of the Government Code is amended to read:

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.

SEC. 2. Section 1.5 of this bill incorporates amendments to Section 8546.10 of the Government Code proposed by both this bill and Senate Bill 1293. That section of this bill shall only become operative if (1) both bills are enacted and become effective on or before January 1, 2019, (2) each bill amends Section 8546.10 of the Government Code, and (3) this bill is enacted after Senate Bill 1293, in which case Section 1 of this bill shall not become operative.