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SB-1293 California State Auditor: high-risk local government agency audit program. (2017-2018)

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Senate Bill No. 1293

CHAPTER 515

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

SB 1293, Lara. California State Auditor: high-risk local government agency audit program.

Existing law authorizes the California State 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 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. Existing law requires the California State Auditor to notify the Joint Legislative Audit Committee whenever he or she identifies a local government as at high risk. Existing law also requires that audits conducted pursuant to these provisions be approved by the Joint Legislative Audit Committee.

This bill would authorize the California State Auditor to conduct an initial assessment at a local government agency prior to conducting an audit, during which he or she may gather publicly available information from a local government agency and any additional information 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. The bill would require the California State Auditor, before beginning an initial assessment at a local government agency, to notify the Joint Legislative Audit Committee in writing which local government agency will be assessed.

Existing law requires the California State Auditor, if the California State Auditor establishes the above described program and determines that a local government agency is at high risk, to issue audit reports at least once every 2 years with recommendations for improvement in the local government agency identified as at high risk.

This bill would instead require those audit reports to be issued once every 3 years.

This bill would incorporate additional changes to Section 8546.10 of the Government Code proposed by AB 2822 to be operative only if this bill and AB 2822 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 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. 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 Assembly Bill 2822. 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 Assembly Bill 2822, in which case Section 1 of this bill shall not become operative.