

AMENDED IN SENATE MARCH 25, 2008

SENATE BILL

No. 1314

Introduced by Senator Wyland

February 20, 2008

~~An act to amend Section 12430 of the Government Code, relating to audits.~~ *An act to amend Sections 8543, 8543.1, 8544.5, 8546, 8546.4, 8546.8, and 12430 of, to add Sections 8546.10, 8546.11, 8546.12, 8546.14, 8546.15, 8546.16, 8546.17, 8546.18, 8546.19, 8546.20, and 8546.21 to, to repeal Sections 13291, 13292, 13292.5, 13293, 13294, 13295, 13296, 13297, 13298, 13299, 13299.1, 13300, 13301, and 13302 of, to add and repeal Section 8546.13 of, and to repeal Article 2 (commencing with Section 10520) of Chapter 4 of Part 2 of Division 2 of Title 2 of, the Government Code, relating to state audits and evaluations.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1314, as amended, Wyland. ~~Audits.~~ *State audits and evaluations.*

Under existing law, the Bureau of State Audits has statutory audit and evaluation duties, and the Department of Finance, through its Office of State Audits and Evaluations and its Performance Review Unit, has other, overlapping duties to perform audits and evaluations.

This bill would transfer all the audit and evaluation duties to the Bureau of State Audits and rename the bureau as the Bureau of State Audits and Evaluations. The bureau would also be responsible for auditing the performance of state programs and managers, and for recommending actions to correct any inefficiencies or ineffectiveness that may exist. The bill would become operative only if SCA 7 is approved by the voters.

Existing law imposes the duty to prepare audits that are necessary for the state to receive federal funds on the Controller, State Auditor, and Director.

This bill would make technical, nonsubstantive changes to this provision.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 8543 of the Government Code is amended
2 to read:

3 8543. There is hereby created in state government the Bureau
4 of State Audits ~~under the direction of the Milton Marks “Little~~
5 ~~Hoover” Commission on California State Government Organization~~
6 ~~and Economy and Evaluations~~. In order to be free of organizational
7 impairments to independence, the bureau shall be independent of
8 the executive branch and legislative control.

9 SEC. 2. Section 8543.1 of the Government Code is amended
10 to read:

11 8543.1. The duties of the Bureau of State Audits *and*
12 *Evaluations* are to examine and report annually upon the financial
13 statements prepared by the executive branch of the state ~~and~~, to
14 perform other related assignments, including performance audits,
15 that are mandated by statute, *and to make recommendations to*
16 *the Governor and the Legislature for improving the effectiveness*
17 *and efficiency of state agencies and programs*. For the purposes
18 of this chapter “bureau” means the “Bureau of State Audits *and*
19 *Evaluations*,” unless the context clearly requires otherwise.

20 SEC. 3. Section 8544.5 of the Government Code is amended
21 to read:

22 8544.5. (a) There is hereby established in the State Treasury
23 the State Audit *and Evaluation Fund*, to replace the State Audit
24 Fund. Notwithstanding Section 13340, the State Audit *and*
25 *Evaluation Fund* is continuously appropriated for the expenses of
26 the State Auditor. There shall be appropriated annually in the
27 Budget Act to the State Audit *and Evaluation Fund*, from the
28 General Fund, the amount necessary to reimburse the State Audit
29 *and Evaluation Fund* for the cost of audits to be performed that
30 are not directly reimbursed under subdivision (c). “Cost of audits”

1 means all direct and indirect costs of conducting the audits and
2 any other related expenses incurred by the State Auditor in
3 fulfilling his or her statutory responsibilities.

4 (b) Upon certification by the State Auditor of estimated costs
5 on a monthly basis, the Controller shall transfer the amount thus
6 certified from the General Fund to the State Audit *and Evaluation*
7 Fund. The Controller shall thereafter issue warrants drawn against
8 the State Audit *and Evaluation* Fund upon receipt of claims
9 certified by the State Auditor.

10 (c) To ensure appropriate reimbursement from federal and
11 special funds for the costs of the duties performed pursuant to
12 Section 8546.3, the State Auditor may directly bill state agencies
13 for the costs incurred, ~~subject to the approval of the Director of~~
14 ~~Finance.~~

15 (d) To ensure adequate oversight of the operations of the bureau,
16 the Milton Marks “Little Hoover” Commission on California State
17 Government Organization and Economy shall annually obtain the
18 services of an independent public accountant to audit the State
19 Audit *and Evaluation* Fund and the operation of the bureau to
20 assure compliance with state law, including Section 8546. The
21 results of this audit shall be submitted to the commission and shall
22 be a public record.

23 (e) ~~To ensure that audits of the Milton Marks “Little Hoover”~~
24 ~~Commission on California State Government Organization and~~
25 ~~Economy~~ are conducted in conformity with government auditing
26 standards, any audit of the commission that is required or permitted
27 by law shall be conducted by the independent public accountant
28 selected pursuant to subdivision (d).

29 *SEC. 4. Section 8546 of the Government Code is amended to*
30 *read:*

31 8546. It is the intent of the Legislature that the Bureau of State
32 Audits *and Evaluations* have the independence necessary to
33 conduct all of its audits in conformity with “Government Auditing
34 Standards” published by the Comptroller General of the United
35 States and the standards published by the American Institute of
36 Certified Public Accountants, free from influence of existing state
37 control agencies that could be the subject of audits conducted by
38 the bureau. Therefore, all of the following exclusions apply to the
39 office:

1 (a) ~~Notwithstanding Section Sections 19790, the 19792, 19792.5,~~
2 ~~19794, 19795, 19798, and 19798.5 do not apply to the Bureau of~~
3 ~~State Audits and Evaluations. The State Auditor shall establish an~~
4 ~~affirmative action equal employment opportunity program that~~
5 shall meet the criteria and objectives established by *Section 19797*
6 ~~and by the State Personnel Board and shall report annually to the~~
7 State Personnel Board and the commission.

8 (b) Notwithstanding Section 12470, the State Auditor ~~shall be~~
9 ~~is~~ responsible for maintaining its payroll system. In lieu of audits
10 of the uniform payroll system performed by the Controller or any
11 other department, the office shall contract pursuant to subdivision
12 (e) of Section 8544.5 for an annual audit of its payroll and financial
13 operations by an independent public accountant.

14 (c) ~~Notwithstanding Sections 11730 and 13292, the~~ *The* State
15 Auditor is delegated the authority to establish and administer the
16 fiscal and administrative policies of the bureau in conformity with
17 the State Administrative Manual without oversight by the
18 Department of Finance, ~~the Department of Information~~
19 ~~Technology~~, or any other state agency.

20 (d) Notwithstanding Section 11032, the State Auditor may
21 approve actual and necessary traveling expenses for travel outside
22 the state for officers and employees of the bureau.

23 (e) Notwithstanding Section 11033, the State Auditor or officers
24 and employees of the bureau may be absent from the state on
25 business of the state upon approval of the State Auditor or Chief
26 Deputy State Auditor.

27 (f) Sections 11040, 11042, and 11043 ~~shall~~ do not apply to the
28 Bureau of State Audits *and Evaluations*. The State Auditor may
29 employ legal counsel under those terms that he or she deems
30 necessary to conduct the legal business of, or render legal counsel
31 to, the State Auditor.

32 (g) The provisions and definitions of Article 2 (commencing
33 with Section 11342.510) of Chapter 3.5 of Division 3 *of Title 2*
34 shall not be construed to include the Bureau of State Audits *and*
35 *Evaluations*. The State Auditor may adopt regulations necessary
36 for the operation of the bureau pursuant to the provisions of the
37 Administrative Procedure Act (Chapter 3.5 (commencing with
38 Section 11340) of Division 3 *of Title 2*), but these regulations shall
39 not be subject to the review or approval of the Office of
40 Administrative Law.

1 (h) The State Auditor ~~shall be~~ *is* exempt from all contract
2 requirements of the Public Contract Code that require oversight,
3 review, or approval by the Department of General Services or any
4 other state agency. The State Auditor may contract on behalf of
5 the State of California for goods and services that he or she deems
6 necessary for the furtherance of the purposes of the bureau.

7 (i) (1) Subject to Article VII of the California Constitution, the
8 State Auditor is delegated the authority to establish and administer
9 the personnel policies and practices of the Bureau of State Audits
10 *and Evaluations* in conformity with Part 2.6 (commencing with
11 Section 19815) of Division 5 of Title 2 without oversight or
12 approval by the Department of Personnel Administration.

13 (2) At the election of the State Auditor, officers and employees
14 of the bureau may participate in benefits programs administered
15 by the Department of Personnel Administration subject to the same
16 conditions for participation that apply to civil service employees
17 in other state agencies. For the purposes of benefits programs
18 administration only, the State Auditor is subject to the
19 determinations of the department. The Bureau of State Audits *and*
20 *Evaluations* shall reimburse the Department of Personnel
21 Administration for the normal administrative costs incurred by the
22 Department of Personnel Administration and for any extraordinary
23 costs resulting from the inclusion of the bureau employees in these
24 state benefit programs.

25 *SEC. 5. Section 8546.4 of the Government Code is amended*
26 *to read:*

27 8546.4. (a) The State Auditor shall annually issue an auditor's
28 report based upon the general purpose financial statements included
29 in the Controller's annual report that is submitted to the Governor
30 pursuant to Section 12460. The report shall be in accordance with
31 the "Government Auditing Standards" published by the
32 Comptroller General of the United States and the standards
33 published by the American Institute of Certified Public
34 Accountants.

35 (b) The State Auditor, in the performance of this annual audit,
36 may examine all the financial records, accounts, and documents
37 of any state agency as defined by Section 11000.

38 (c) The State Auditor shall rely, to the maximum extent possible,
39 upon the audits performed by the Controller, the Department of
40 Finance, internal auditors of state agencies, and independent

1 contractors. The ~~Director of Finance~~ *State Auditor* shall be
2 responsible for coordinating and providing technical assistance to
3 the internal auditors of state agencies. Nothing in this article is
4 intended to reduce or restrict the operations of internal auditors
5 whose review of internal financial and administrative controls of
6 state agencies is essential for coordinated audits.

7 (d) State agencies receiving federal funds shall be primarily
8 responsible for arranging for federally required financial and
9 compliance audits. State agencies shall immediately notify the
10 ~~Director of Finance, the State Auditor, and the Controller~~ when
11 they are required to obtain federally required financial and
12 compliance audits. The ~~Director of Finance, the State Auditor, and~~
13 the Controller shall coordinate the procurement by state agencies,
14 including any negotiations with cognizant federal agencies, of
15 federally required financial and compliance audits.

16 (e) To prevent duplication of the annual audit conducted by the
17 State Auditor pursuant to subdivision (a), except for those state
18 agencies that are required by state law to obtain an annual audit,
19 no state agency shall enter into a contract for a financial or
20 compliance audit without prior written approval of the Controller
21 ~~and the Director of Finance~~, which approval shall state the reason
22 for the contract and shall be filed with the State Auditor at least
23 30 days prior to the award of the contract. No funds appropriated
24 by the Legislature shall be encumbered for the purpose of funding
25 any contract for an audit that duplicates the annual financial audit
26 conducted by the State Auditor.

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

31 (g) Notwithstanding any other provision of this article, nothing
32 in this section shall be construed to limit, restrict, or otherwise
33 infringe upon the statutory authority of the Director of Finance to
34 supervise the financial and business policies of the state, *except*
35 *that the auditing and evaluation functions previously assigned to*
36 *the Department of Finance are assigned to the bureau.*

37 *SEC. 6. Section 8546.8 of the Government Code is amended*
38 *to read:*

39 8546.8. Unless the contrary is stated or clearly appears from
40 the context, any reference to the Auditor General or *to* the Office

1 of the Auditor General *or the Bureau of State Audits* in any statute
2 or contract in effect on the effective date of this chapter, other than
3 Chapter 4 (commencing with Section 10500), with respect to the
4 performance of audits, shall be construed to refer to the State
5 Auditor and the Bureau of State Audits *and Evaluations*,
6 respectively.

7 *SEC. 7. Section 8546.10 is added to the Government Code, to*
8 *read:*

9 *8546.10. (a) The State Auditor shall evaluate each state*
10 *agency, as defined in subdivision (a) of Section 11000, on a random*
11 *basis, with each program having a budget in excess of one million*
12 *dollars (\$1,000,000) being evaluated not less than once every five*
13 *years, to identify any inefficiencies or failures in the program, the*
14 *ability of agency managers to effectively and efficiently administer*
15 *the agency, and the effectiveness of the agency. The results of each*
16 *evaluation shall be provided to the Governor and the Legislature,*
17 *as well as to the direct supervisor of each manager.*

18 *(b) If an agency manager fails to use state resources efficiently*
19 *and effectively or fails to ensure that the agency meets its goals,*
20 *the State Auditor, working cooperatively with the direct supervisor*
21 *of the manager, shall establish performance goals and identify*
22 *appropriate actions to be taken to correct these failures within a*
23 *reasonable and defined period of time.*

24 *(c) If the failures are not corrected or performance goals are*
25 *not achieved within the time specified, the State Auditor shall*
26 *recommend to the Governor and the Legislature whether the*
27 *manager should be removed or the program terminated, or both.*

28 *SEC. 8. Section 8546.11 is added to the Government Code, to*
29 *read:*

30 *8546.11. The Bureau of State Audits and Evaluations may*
31 *require financial and statistical reports, duly verified and covering*
32 *the period of each fiscal year, from all agencies of the state.*

33 *The reports shall be made upon blank forms prescribed and*
34 *furnished by the bureau, and mailed to each agency not less than*
35 *60 days before the time the reports are required to be filed with*
36 *the bureau.*

37 *SEC. 9. Section 8546.12 is added to the Government Code, to*
38 *read:*

1 8546.12. *When necessary, the bureau may require special*
2 *reports from any state or public agency. These special reports*
3 *shall be filed with the bureau without delay.*

4 SEC. 10. *Section 8546.13 is added to the Government Code,*
5 *to read:*

6 8546.13. (a) *No later than October 31 of each year, each state*
7 *agency listed in subdivision (d) shall submit a report to the bureau*
8 *that identifies and describes the status of that agency's liquidated*
9 *and delinquent accounts as of the end of the previous fiscal year*
10 *and efforts made by that agency to collect these accounts during*
11 *that previous fiscal year. The report shall identify receivables that*
12 *are valid and collectible. For this purpose, "valid" means due*
13 *and payable and for which there is no known disagreement about*
14 *the amount of the claim at the time it was established, and*
15 *"collectible" means due and payable and for which collection has*
16 *not been deferred by any other provision of law. The report shall*
17 *be in a form prescribed by the State Auditor and shall include a*
18 *summary of the total of all of the following:*

19 (1) *The total number and aggregate dollar amount of liquidated*
20 *and delinquent accounts.*

21 (2) *Liquidated and delinquent accounts, by total number and*
22 *aggregate dollar amount, that were not included in the annual*
23 *report for the immediately preceding fiscal year.*

24 (3) *Aggregate beginning balance and aggregate ending balance*
25 *of all liquidated accounts and of all delinquent accounts.*

26 (4) *Aggregate dollar amount of moneys paid on liquidated and*
27 *delinquent accounts.*

28 (5) *Total amount and total number of liquidated and delinquent*
29 *accounts that have been discharged from accountability.*

30 (6) *Total dollar amount of liquidated and delinquent accounts*
31 *turned over to private collection agencies and total amount*
32 *collected by those agencies for the fiscal year that is the subject*
33 *of the report.*

34 (7) *An aging of the liquidated and delinquent accounts included*
35 *in the report, that, at a minimum, shall identify the total number*
36 *and aggregate dollar amount of liquidated and delinquent accounts*
37 *that are within the following time periods after the obligation was*
38 *first due to a state agency:*

39 (A) *From 180 to 365 days.*

40 (B) *From 366 to 545 days.*

1 (C) *More than 545 days.*

2 (b) *No later than February 28 of each fiscal year, the State*
3 *Auditor shall submit to the Legislature a report on the status of*
4 *liquidated and delinquent accounts of state agencies, which shall*
5 *be based on the reports submitted by state agencies pursuant to*
6 *subdivision (a).*

7 (c) *As used in this section, “liquidated and delinquent accounts”*
8 *means any loans, accounts receivable, fines, assessments, penalties,*
9 *or other monetary obligation owed to a state agency that is unpaid*
10 *for 180 or more days after the obligation was first due to that state*
11 *agency.*

12 (d) *Subdivision (a) shall apply to all of the following state*
13 *agencies:*

14 (1) *State Board of Equalization.*

15 (2) *Franchise Tax Board.*

16 (3) *State Lands Commission.*

17 (4) *Department of General Services.*

18 (5) *Department of Motor Vehicles.*

19 (6) *Department of Real Estate.*

20 (7) *Department of Corporations.*

21 (e) *A state agency shall not enter into a contract with a private*
22 *nongovernmental collection agency to perform the functions*
23 *required of a state agency under this section.*

24 (f) *The agencies listed in subdivision (d) and the bureau shall*
25 *use existing resources to comply with the requirements of this*
26 *section, which shall apply only if sufficient resources are available*
27 *for this purpose.*

28 (g) *This section shall become inoperative on July 1, 2010, and,*
29 *as of January 1, 2011, is repealed, unless a later enacted statute,*
30 *that becomes operative on or before January 1, 2011, deletes or*
31 *extends the dates on which it becomes inoperative and is repealed.*

32 *SEC. 11. Section 8546.14 is added to the Government Code,*
33 *to read:*

34 *8546.14. The bureau may examine all records, files, documents,*
35 *accounts, and all financial affairs of every agency of the state*
36 *permitted or charged by law with the handling of public money or*
37 *its equivalent. The bureau may enter any public office or institution*
38 *in this state and examine any records, files, books, papers or*
39 *documents contained therein or belonging thereto for the purpose*
40 *of making the examination, and shall have access, in the presence*

1 *of the custodian or his or her deputy, to the cash drawers and cash*
2 *in the custody of the agency.*

3 *During business hours the bureau may examine the public*
4 *accounts in any depository that has public funds in its custody.*

5 *SEC. 12. Section 8546.15 is added to the Government Code,*
6 *to read:*

7 *8546.15. The Bureau of State Audits and Evaluations shall*
8 *examine the books of the several state agencies as often as the*
9 *State Auditor deems necessary, taking into consideration the work*
10 *done by other auditors, including the internal auditors of the*
11 *various state agencies, so that duplication of auditing effort may*
12 *be minimized.*

13 *SEC. 13. Section 8546.16 is added to the Government Code,*
14 *to read:*

15 *8546.16. Every state agency shall permit examination, and*
16 *upon demand, shall produce without unnecessary delay all books,*
17 *contracts, and papers in its offices, and furnish information relating*
18 *to books, papers, contracts, and other matters pertaining to the*
19 *agency.*

20 *SEC. 14. Section 8546.17 is added to the Government Code,*
21 *to read:*

22 *8546.17. The State Auditor shall supply to the Controller a*
23 *certified copy of each periodical audit of the accounts of any state*
24 *agency. Additionally, if the audit includes a review of federal funds,*
25 *the State Auditor shall also report the results of the audit*
26 *simultaneously to the Legislature and the affected state agency.*

27 *SEC. 15. Section 8546.18 is added to the Government Code,*
28 *to read:*

29 *8546.18. The money in the State Treasury shall be counted by*
30 *the State Auditor at least twice each year, without giving the*
31 *Treasurer any previous notice of the day or hour of counting.*

32 *At any counting the State Auditor may place any sum in bags or*
33 *boxes and mark and seal them with a seal adopted and kept by*
34 *him or her. At any subsequent counting, he or she may count each*
35 *sealed bag or box separately and credit, at the value stamped*
36 *thereon, the contents of the bags or boxes as part of the money*
37 *counted without making a detailed count of the contents.*

38 *SEC. 16. Section 8546.19 is added to the Government Code,*
39 *to read:*

1 8546.19. *The State Auditor shall count as cash all evidence of*
2 *money belonging to the state upon deposit outside the State*
3 *Treasury that may be held by the Treasurer in accordance with*
4 *law and shall determine for himself or herself whether that*
5 *evidence is sufficient according to law.*

6 SEC. 17. *Section 8546.20 is added to the Government Code,*
7 *to read:*

8 8546.20. *After each count of money, the State Auditor shall*
9 *make and file with the Secretary of State and cause to be published*
10 *in some newspaper in the City of Sacramento, an affidavit showing*
11 *the following information:*

12 (a) *The amount of money or credit that should be in the State*
13 *Treasury.*

14 (b) *The amount and kind of money or credit actually in the State*
15 *Treasury.*

16 SEC. 18. *Section 8546.21 is added to the Government Code,*
17 *to read:*

18 8546.21. *Securities held in the State Treasury or other*
19 *depositories for safekeeping purposes shall be counted or*
20 *confirmed, at least annually, by the State Auditor. After each count*
21 *or confirmation of securities, the State Auditor shall issue his or*
22 *her report on the accountability of securities.*

23 SEC. 19. *Article 2 (commencing with Section 10520) of Chapter*
24 *4 of Part 2 of Division 2 of Title 2 of the Government Code is*
25 *repealed.*

26 SEC. 20. *Section 12430 of the Government Code is amended*
27 *to read:*

28 12430. *Annually, the Controller, ~~the State Auditor,~~ and the*
29 *~~Director of the Department of Finance~~ State Auditor shall each*
30 *prepare a plan to meet their audit responsibilities. With respect to*
31 *audits to fulfill the requirements necessary for the receipt of federal*
32 *funds, the State Auditor shall be primarily responsible for financial*
33 *audits, ~~and the Director of Finance or the Controller shall be~~*
34 *primarily responsible for compliance audits, and the ~~Director of~~*
35 *Finance State Auditor shall be primarily responsible for*
36 *coordinating state agency internal audits and determining when*
37 *agencies are required to obtain federally mandated audits. Upon*
38 *completion of these audit plans, the Controller, ~~State Auditor,~~ and*
39 *~~Director of Finance~~ the State Auditor shall meet to review and*
40 *discuss the plans with the purpose of coordinating their audit efforts*

1 to avoid unnecessary duplication and negotiation with federal
2 agencies regarding federally mandated audits.

3 Subsequent to their review of the audit plans and negotiations
4 with federal agencies, if the Controller, ~~the Director of Finance,~~
5 or the State Auditor determines that the proposed audit plan of the
6 other does not fulfill all audit requirements necessary for the receipt
7 of federal funds, they may expand the scope of their audit of state
8 agencies to meet the additional federal audit requirements. The
9 financial audit report issued by the State Auditor and the
10 compliance audit report issued by the Controller ~~or the Director~~
11 ~~of Finance or both~~ are intended to fulfill federally mandated audit
12 requirements. These audit reports shall be performed in accordance
13 with the “Standards for Audits of Governmental Organizations,
14 Programs, Activities and Functions,” published by the Comptroller
15 General of the United States, and the standards published by the
16 American Institute of Certified Public Accountants.

17 Nothing in this section shall be construed to limit, restrict, or
18 otherwise infringe upon the duty of the State Auditor to conduct
19 annual financial audits pursuant to Section ~~10534~~ 8546.1 or to
20 limit, restrict, or otherwise infringe upon the authority of the Joint
21 Legislative Audit Committee to direct the State Auditor to conduct
22 any audit of state government pursuant to ~~Chapter 6.5 (commencing~~
23 ~~with Section 8540) subdivision (b) of Division 1 of Title 2 Section~~
24 ~~8546.1.~~

25 *SEC. 21. Section 13291 of the Government Code is repealed.*

26 ~~13291. The department may require financial and statistical~~
27 ~~reports, duly verified and covering the period of each fiscal year,~~
28 ~~from all agencies of the state included within the provisions of~~
29 ~~Section 13300.~~

30 ~~Such reports shall be made upon blank forms prescribed and~~
31 ~~furnished by the department, and mailed to each such agency not~~
32 ~~less than 60 days before the time the reports are required to be~~
33 ~~filed with the department.~~

34 *SEC. 22. Section 13292 of the Government Code is repealed.*

35 ~~13292. When necessary, the department may require special~~
36 ~~reports from any such State or public agency. These special reports~~
37 ~~shall be filed with the department without delay.~~

38 *SEC. 23. Section 13292.5 of the Government Code is repealed.*

39 ~~13292.5. (a) No later than October 31 of each year, each state~~
40 ~~agency listed in subdivision (d) shall submit a report to the director~~

1 that identifies and describes the status of that agency's liquidated
2 and delinquent accounts as of the end of the previous fiscal year
3 and efforts made by that agency to collect these accounts during
4 that previous fiscal year. The report shall identify receivables that
5 are valid and collectible. For this purpose, "valid" means due and
6 payable and for which there is no known disagreement about the
7 amount of the claim at the time it was established, and "collectible"
8 means due and payable and for which collection has not been
9 deferred by any other provision of law. The report shall be in a
10 form prescribed by the director and shall include, by state agency,
11 but not be limited to, a summary of the total of all of the following:

12 (1) ~~The total number and aggregate dollar amount of liquidated
13 and delinquent accounts.~~

14 (2) ~~Liquidated and delinquent accounts, by total number and
15 aggregate dollar amount, that were not included in the annual report
16 for the immediately preceding fiscal year.~~

17 (3) ~~Aggregate beginning balance and aggregate ending balance
18 of all liquidated accounts and of all delinquent accounts.~~

19 (4) ~~Aggregate dollar amount of moneys paid on liquidated and
20 delinquent accounts.~~

21 (5) ~~Total amount and total number of liquidated and delinquent
22 accounts that have been discharged from accountability.~~

23 (6) ~~Total dollar amount of liquidated and delinquent accounts
24 turned over to private collection agencies and total amount
25 collected by those agencies for the fiscal year that is the subject
26 of the report.~~

27 (7) ~~An aging of the liquidated and delinquent accounts included
28 in the report, which, at a minimum, shall identify the total number
29 and aggregate dollar amount of liquidated and delinquent accounts
30 that are within the following time periods after the obligation was
31 first due to a state agency:~~

32 (A) ~~From 180 to 365 days.~~

33 (B) ~~From 366 to 545 days.~~

34 (C) ~~More than 545 days.~~

35 (b) ~~No later than February 28 of each fiscal year, the director
36 shall submit to the Legislature a report on the status of liquidated
37 and delinquent accounts of state agencies, which shall be based
38 on the reports submitted by state agencies pursuant to subdivision
39 (a):~~

1 (e) ~~As used in this section, “liquidated and delinquent accounts”~~
2 ~~means any loans, accounts receivable, fines, assessments, penalties,~~
3 ~~or other monetary obligation owed to a state agency that is unpaid~~
4 ~~for 180 or more days after the obligation was first due to that state~~
5 ~~agency.~~

6 (d) ~~Subdivision (a) shall apply to all of the following state~~
7 ~~agencies:~~

8 (1) ~~State Board of Equalization.~~

9 (2) ~~Franchise Tax Board.~~

10 (3) ~~State Lands Commission.~~

11 (4) ~~Department of General Services.~~

12 (5) ~~Department of Motor Vehicles.~~

13 (6) ~~Department of Real Estate.~~

14 (7) ~~Department of Corporations.~~

15 (e) ~~A state agency shall not enter into a contract with a private~~
16 ~~nongovernmental collection agency to perform the functions~~
17 ~~required of a state agency under this section.~~

18 (f) ~~The agencies listed in subdivision (d) and the department~~
19 ~~shall use existing resources to comply with the requirements of~~
20 ~~this section, which shall apply only if sufficient resources are~~
21 ~~available for this purpose.~~

22 (g) ~~This section shall become inoperative on July 1, 2010, and,~~
23 ~~as of January 1, 2011, is repealed, unless a later enacted statute,~~
24 ~~that becomes operative on or before January 1, 2011, deletes or~~
25 ~~extends the dates on which it becomes inoperative and is repealed.~~

26 *SEC. 24. Section 13293 of the Government Code is repealed.*

27 13293. ~~The department may examine all records, files,~~
28 ~~documents, accounts and all financial affairs of every agency~~
29 ~~mentioned in Section 13300. It may enter any public office or~~
30 ~~institution in this state and examine any records, files, books,~~
31 ~~papers or documents contained therein or belonging thereto for~~
32 ~~the purpose of making such examination, and shall have access,~~
33 ~~in the presence of the custodian or his deputy, to the cash drawers~~
34 ~~and cash in the custody of such agency.~~

35 ~~During business hours the department may examine the public~~
36 ~~accounts in any depository which has public funds in its custody.~~

37 *SEC. 25. Section 13294 of the Government Code is repealed.*

38 13294. ~~The Department of Finance shall examine the books~~
39 ~~of the several state agencies as often as the director deems~~
40 ~~necessary, taking into consideration the work done by other~~

1 auditors, including the internal auditors of the various state
2 agencies, so that duplication of auditing effort may be minimized.

3 *SEC. 26. Section 13295 of the Government Code is repealed.*

4 13295. Every State agency shall permit such examination and
5 experting and upon demand shall produce without unnecessary
6 delay all books, contracts, and papers in its offices, and furnish
7 information touching books, papers, contracts, and other matters
8 pertaining to the agency.

9 *SEC. 27. Section 13296 of the Government Code is repealed.*

10 13296. The director shall supply to the Controller a certified
11 copy of each periodical audit of the accounts of any state agency.
12 Additionally, if the audit includes a review of federal funds, the
13 director shall also report the results of the audit simultaneously to
14 the Legislature and the affected state agency.

15 *SEC. 28. Section 13297 of the Government Code is repealed.*

16 13297. The money in the Treasury shall be counted by the
17 State Auditor at least twice each year, without giving the Treasurer
18 any previous notice of the day or hour of counting.

19 At any counting the State Auditor may place any sum in bags
20 or boxes and mark and seal them with a seal adopted and kept by
21 him or her. At any subsequent counting he or she may count each
22 sealed bag or box separately and credit at the value stamped thereon
23 the contents of the bags or boxes as part of the money counted
24 without making a detailed count of the contents.

25 *SEC. 29. Section 13298 of the Government Code is repealed.*

26 13298. The State Auditor shall count as cash all evidence of
27 money belonging to the state upon deposit outside the treasury
28 that may be held by the Treasurer in accordance with law and shall
29 determine for himself or herself whether that evidence is sufficient
30 according to law.

31 *SEC. 30. Section 13299 of the Government Code is repealed.*

32 13299. After each count of money the State Auditor shall make
33 and file with the Secretary of State and cause to be published in
34 some newspaper in the City of Sacramento, an affidavit showing:

35 (a) The amount of money or credit that should be in the treasury.

36 (b) The amount and kind of money or credit actually in the
37 treasury.

38 *SEC. 31. Section 13299.1 of the Government Code is repealed.*

39 13299.1. Securities held in the treasury or other depositories
40 for safekeeping purposes shall be counted or confirmed, at least

1 annually, by the State Auditor. After each count or confirmation
2 of securities, the State Auditor shall issue his or her report on the
3 accountability of securities.

4 *SEC. 32. Section 13300 of the Government Code is repealed.*

5 13300. (a) ~~The department shall devise, install, supervise, and,~~
6 ~~at its discretion, revise and modify, a modern and complete~~
7 ~~accounting system for each agency of the state permitted or charged~~
8 ~~by law with the handling of public money or its equivalent, to the~~
9 ~~end that all revenues, expenditures, receipts, disbursements,~~
10 ~~resources, obligations, and property of the state be properly,~~
11 ~~accurately, and systematically accounted for and that there shall~~
12 ~~be obtained accurate and comparable records, reports, and~~
13 ~~statements of all the financial affairs of the state.~~

14 (b) ~~This system shall be of a nature so as to permit a comparison~~
15 ~~of budgeted expenditures, actual expenditures, and encumbrances~~
16 ~~and payables, as defined by the California Fiscal Advisory Board,~~
17 ~~and estimated revenue to actual revenue, which is compatible with~~
18 ~~a budget coding system, developed by the department. In addition,~~
19 ~~the system shall provide for a federal revenue accounting system~~
20 ~~with cross-references of federal fund sources to state activities.~~

21 (c) ~~This system shall include a cost accounting system that~~
22 ~~accounts for expenditures by line item, governmental unit, and~~
23 ~~fund source. The system shall also be capable of performing~~
24 ~~program cost accounting as required. The system and the accounts~~
25 ~~maintained by the several agencies of the state shall be coordinated~~
26 ~~with the central accounts maintained by the Controller, and shall~~
27 ~~provide the Controller with all information necessary to the~~
28 ~~maintenance by the Controller of a comprehensive system of~~
29 ~~central accounts for the entire state government. The Controller~~
30 ~~or the Director of Finance may submit to the California Victim~~
31 ~~Compensation and Government Claims Board and the California~~
32 ~~Victim Compensation and Government Claims Board shall~~
33 ~~consider and adopt any rule or regulation required to implement~~
34 ~~this section.~~

35 (d) ~~The requirements of this section shall apply to departments~~
36 ~~commencing with the second fiscal year following the fiscal year~~
37 ~~for which funds are appropriated by the Legislature to implement~~
38 ~~this section. The department shall adopt guidelines and instructions~~
39 ~~to implement the application of this section.~~

40 *SEC. 33. Section 13301 of the Government Code is repealed.*

1 13301. For the purpose of administering Section 13300 of this
2 code the director may appoint and prescribe the duties and fix the
3 salaries of such number of skillful accountants or assistants as he
4 deems necessary. Each such appointee is a civil executive officer.

5 Before entering upon the discharge of the duties of his office
6 each such appointee shall execute to the state an official bond
7 conditioned upon the faithful performance of his duties in such
8 penal sum as the director prescribes, but not less than five thousand
9 dollars (\$5,000).

10 *SEC. 34. Section 13302 of the Government Code is repealed.*

11 13302. The accounting system devised as provided in Section
12 13300 shall provide, with respect to the General Fund and other
13 governmental funds, for:

14 (a) The accrual of expenditures as of the end of each fiscal year
15 on the basis of payables incurred, excluding accrued interest on
16 general obligation bonded indebtedness.

17 (b) (1) The accrual of revenues at the end of the fiscal year if
18 the underlying transaction has occurred as of the last day of the
19 fiscal year and the due date for the tax is within two months of the
20 end of the period.

21 (2) Cash in agency trust accounts within the centralized State
22 Treasury system which is in transit to the State Treasury, accrued
23 interest receivable, and accounts receivable shall be accrued as of
24 the end of each fiscal year.

25 (c) For the purposes of financial reporting:

26 (1) A payable exists when goods or services have been delivered
27 and the state is required to pay for those goods or services, and an
28 encumbrance exists when a valid obligation against an
29 appropriation has been created.

30 (2) All funds appropriated shall be identified as either expended,
31 payable, encumbered (exclusive of payables), or unencumbered,
32 as further defined by the California Fiscal Advisory Board, and
33 the total of these shall equal the total appropriation.

34 *SEC. 35. The Legislature finds and declares that the Office of*
35 *State Audits and Evaluations and the Performance Review Unit*
36 *in the Department of Finance and the Bureau of State Audits have*
37 *statutory duties that are overlapping and duplicative. By this act,*
38 *the Legislature intends to transfer the duties, personnel, and*
39 *funding for the Office of State Audits and Evaluations and the*
40 *Performance Review Unit to the Bureau of State Audits and to*

1 *rename the bureau, the Bureau of State Audits and Evaluations.*
2 *Any statutory duties previously assigned to either the Office of*
3 *State Audits and Evaluations and the Performance Review Unit*
4 *in the Department of Finance or to the Bureau of State Audits are*
5 *hereby reassigned to the Bureau of State Audits and Evaluations.*

6 *SEC. 36. This act shall become operative only if Senate*
7 *Constitutional Amendment 7 of the 2007–08 Regular Session is*
8 *approved by the voters and, in that case, shall take effect on the*
9 *day after the election in which the voters approve that measure.*

10 ~~SECTION 1. Section 12430 of the Government Code is~~
11 ~~amended to read:~~

12 ~~12430. Annually, the Controller, State Auditor, and Director~~
13 ~~of the Department of Finance shall each prepare a plan to meet~~
14 ~~their audit responsibilities. With respect to audits to fulfill the~~
15 ~~requirements necessary for the receipt of federal funds, the State~~
16 ~~Auditor shall be primarily responsible for financial audits, the~~
17 ~~Director of Finance or the Controller shall be primarily responsible~~
18 ~~for compliance audits, and the Director of Finance shall be~~
19 ~~primarily responsible for coordinating state agency internal audits~~
20 ~~and determining when agencies are required to obtain federally~~
21 ~~mandated audits. Upon completion of these audit plans, the~~
22 ~~Controller, State Auditor, and Director of Finance shall meet to~~
23 ~~review and discuss the plans with the purpose of coordinating their~~
24 ~~audit efforts to avoid unnecessary duplication and negotiation with~~
25 ~~federal agencies regarding federally mandated audits.~~

26 ~~Subsequent to their review of the audit plans and negotiations~~
27 ~~with federal agencies, if the Controller, Director of Finance, or~~
28 ~~State Auditor determines that the proposed audit plan of the other~~
29 ~~does not fulfill all audit requirements necessary for the receipt of~~
30 ~~federal funds, they may expand the scope of their audit of state~~
31 ~~agencies to meet the additional federal audit requirements. The~~
32 ~~financial audit report issued by the State Auditor and the~~
33 ~~compliance audit report issued by the Controller, the Director of~~
34 ~~Finance, or both are intended to fulfill federally mandated audit~~
35 ~~requirements. These audit reports shall be performed in accordance~~
36 ~~with the “Standards for Audits of Governmental Organizations,~~
37 ~~Programs, Activities and Functions,” published by the Comptroller~~
38 ~~General of the United States, and the standards published by the~~
39 ~~American Institute of Certified Public Accountants.~~

1 ~~Nothing in this section shall be construed to limit, restrict, or~~
2 ~~otherwise infringe upon the duty of the State Auditor to conduct~~
3 ~~annual financial audits pursuant to Section 10534 or to limit,~~
4 ~~restrict, or otherwise infringe upon the authority of the Joint~~
5 ~~Legislative Audit Committee to direct the State Auditor to conduct~~
6 ~~any audit of state government pursuant to Chapter 6.5 (commencing~~
7 ~~with Section 8540) of Division 1 of Title 2.~~

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