

## Assembly Bill No. 187

### CHAPTER 451

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

[Approved by Governor October 4, 2011. Filed with  
Secretary of State October 4, 2011.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 187, Lara. State Auditor: audits: high-risk local government agency audit program.

Existing law authorizes the State Auditor to establish a high-risk government agency audit program for the purpose of identifying, auditing, and issuing reports on any agency of the state that the 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.

This bill would, subject to specified conditions, authorize the State Auditor to establish a high-risk local government agency audit program to identify, audit, and issue reports on any local government agency, including any city, county, or special district, or any publicly created entity that the 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. The bill would also authorize the State Auditor to consult with the Controller, Attorney General, and other state agencies in identifying local government agencies that are at high risk.

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

SECTION 1. Section 8546.10 is added to the Government Code, to read:

8546.10. (a) The 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 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 bureau, the 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 Bureau of State Audits 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 State Auditor shall notify the Joint Legislative Audit Committee whenever he or she identifies a local government as at high risk.

(2) The 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 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 State Auditor establishes the program provided for in this section and the State Auditor determines that a local agency is at high risk, the 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.