

AMENDED IN SENATE MARCH 22, 2011

AMENDED IN SENATE MARCH 10, 2011

**SENATE BILL**

**No. 186**

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**Introduced by Senators Kehoe and DeSaulnier**  
(Principal coauthor: Assembly Member Alejo)  
(Coauthor: Assembly Member Lara)

February 7, 2011

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An act to amend Section 12464 of the Government Code, relating to the Controller.

LEGISLATIVE COUNSEL'S DIGEST

SB 186, as amended, Kehoe. The Controller.

Existing law authorizes the Controller to appoint a qualified accountant to make an investigation and to obtain the information required for the annual report of financial transactions.

This bill would authorize the Controller to exercise discretionary authority to perform an audit or investigation of any county, city, special district, joint powers authority, or redevelopment agency, ~~if necessary, to ensure compliance~~ *the Controller possesses documentation that results in reason to believe that the local agency is not complying with the financial requirements in state law, grant agreements, local charters, or local ordinances.* This bill would require the Controller to prepare a report of the results of the audit or investigation and to file a copy with the local legislative body. ~~This bill would also provide that specified costs incurred by the Controller shall be borne by the county, city, special district, joint powers authority, or redevelopment agency and state that reimbursements collected, upon appropriation to the Controller, be available to offset costs of enforcing this provision.~~

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

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

1 SECTION 1. Section 12464 of the Government Code is  
2 amended to read:  
3 12464. (a) If the county, city, special district, joint powers  
4 authority, or redevelopment agency reports are not made in the  
5 time, form, and manner required or there is reason to believe that  
6 a report is false, incomplete, or incorrect, the Controller shall  
7 appoint a qualified accountant to make an investigation and to  
8 obtain the information required. The accountant appointed shall  
9 report to the Controller the results of the investigation, and a copy  
10 shall be filed with the legislative body of the county, city, special  
11 district, joint powers authority, or redevelopment agency, the  
12 accounts of which were investigated. If a similar investigation has  
13 to be made of the accounts of any county, city, special district,  
14 joint powers authority, or redevelopment agency, for two  
15 successive years, a certified copy of the results of the investigation  
16 last made shall be transmitted to the grand jury of the county that  
17 was investigated or in which the local agency investigated is  
18 situated, or, if the agency is situated in more than one county, in  
19 the county in which any portion of the agency is situated.  
20 (b) The Controller may, at his or her discretion, perform an audit  
21 or investigation of any county, city, special district, joint powers  
22 authority, or redevelopment agency, ~~if there is~~ *the Controller*  
23 *possesses documentation that results in a* reason to believe that  
24 the local agency is not complying with the financial requirements  
25 in state law, grant agreements, *local charters*, or local ordinances.  
26 The Controller shall prepare a report of the results of the audit or  
27 investigation, and a copy shall be filed with the legislative body  
28 of the county, city, special district, joint powers authority, or  
29 redevelopment agency, the accounts of which were audited or  
30 investigated. The audit or investigation will be designed to provide  
31 reasonable assurance on compliance with laws and regulations  
32 that are significant to the audit or investigation objectives. Any  
33 indication of illegal acts or fraud shall be communicated to  
34 appropriate authorities, including the county grand jury.

1 (c) Any costs incurred by the Controller pursuant to ~~subdivisions~~  
2 ~~(a) and (b)~~ *subdivision (a)*, including contracts with, or employment  
3 of, certified public accountants or public accountants, in compiling  
4 a financial report pursuant to Section 12463 or 12463.3 shall be  
5 borne by the county, city, special district, joint powers authority,  
6 or redevelopment agency, and shall be a charge against any  
7 unencumbered funds of the county, city, special district, joint  
8 powers authority, or redevelopment agency. Any forfeiture imposed  
9 by Section 53895 or 53895.5 may be offset up to the total costs  
10 incurred by the Controller. Any remaining balance shall be forfeited  
11 in accordance with Sections 53895 and 53895.5. Any costs incurred  
12 by the Controller in excess of the forfeiture imposed shall be a  
13 charge against any unencumbered funds of the county, city, special  
14 district, joint powers authority, or redevelopment agency. ~~All~~  
15 ~~reimbursements collected in regard to this section shall, upon~~  
16 ~~appropriation to the Controller, be available to offset costs of~~  
17 ~~enforcing this section.~~