

AMENDED IN SENATE APRIL 9, 2012

SENATE BILL

No. 1395

Introduced by Senator Rubio

February 24, 2012

An act to amend Section ~~8546.10~~ 8546 of the Government Code, relating to ~~local government~~ *the State Auditor*.

LEGISLATIVE COUNSEL'S DIGEST

SB 1395, as amended, Rubio. State Auditor: ~~local government agency audit program~~: *reporting*.

Existing law ~~authorizes~~ *requires* the 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 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~~ *establish, and annually report on, an equal employment opportunity program, as specified*.

This bill would ~~make technical, nonsubstantive changes to this provision~~ *instead require the State Auditor to report in every even-numbered year*.

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 8546 of the Government Code is amended
2 to read:

1 8546. It is the intent of the Legislature that the Bureau of State
2 Audits have the independence necessary to conduct all of its audits
3 in conformity with “Government Auditing Standards” published
4 by the Comptroller General of the United States and the standards
5 published by the American Institute of Certified Public
6 Accountants, free from influence of existing state control agencies
7 that could be the subject of audits conducted by the bureau.
8 Therefore, all of the following exclusions apply to the office:

9 (a) Notwithstanding Section 19790, the State Auditor shall
10 establish an equal employment opportunity program that shall
11 meet the criteria and objectives established by the State Personnel
12 Board. The State Auditor shall report—~~annually~~ *every*
13 *even-numbered year* to the State Personnel Board and the
14 commission regarding the program.

15 (b) Notwithstanding Section 12470, the State Auditor shall be
16 responsible for maintaining its payroll system. In lieu of audits of
17 the uniform payroll system performed by the Controller or any
18 other department, the office shall contract pursuant to subdivision
19 (e) of Section 8544.5 for an annual audit of its payroll and financial
20 operations by an independent public accountant.

21 (c) Notwithstanding Section 13292, the State Auditor is
22 delegated the authority to establish and administer the fiscal and
23 administrative policies of the bureau in conformity with the State
24 Administrative Manual without oversight by the Department of
25 Finance, the Department of Information Technology, or any other
26 state agency.

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

30 (e) Notwithstanding Section 11033, the State Auditor or officers
31 and employees of the bureau may be absent from the state on
32 business of the state upon approval of the State Auditor or Chief
33 Deputy State Auditor.

34 (f) Sections 11040, 11042, and 11043 shall not apply to the
35 Bureau of State Audits. The State Auditor may employ legal
36 counsel under those terms that he or she deems necessary to
37 conduct the legal business of, or render legal counsel to, the State
38 Auditor.

39 (g) The provisions and definitions of Article 2 (commencing
40 with Section 11342.510) of Chapter 3.5 of Division 3 shall not be

1 construed to include the Bureau of State Audits. The State Auditor
2 may adopt regulations necessary for the operation of the bureau
3 pursuant to the provisions of the Administrative Procedure Act
4 (Chapter 3.5 (commencing with Section 11340) of Division 3),
5 but these regulations shall not be subject to the review or approval
6 of the Office of Administrative Law.

7 (h) The State Auditor shall be exempt from all contract
8 requirements of the Public Contract Code that require oversight,
9 review, or approval by the Department of General Services or any
10 other state agency. The State Auditor may contract on behalf of
11 the State of California for goods and services that he or she deems
12 necessary for the furtherance of the purposes of the bureau.

13 (i) (1) Subject to Article VII of the California Constitution, the
14 State Auditor is delegated the authority to establish and administer
15 the personnel policies and practices of the Bureau of State Audits
16 in conformity with Part 2.6 (commencing with Section 19815) of
17 Division 5 of Title 2 without oversight or approval by the
18 Department of Personnel Administration.

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

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

33 ~~8546.10. (a) The State Auditor may establish a high-risk local~~
34 ~~government agency audit program for the purpose of identifying,~~
35 ~~auditing, and issuing reports on any local government agency,~~
36 ~~including, but not limited to, any city, county, special district, or~~
37 ~~any publicly created entity, whether created by the California~~
38 ~~Constitution or otherwise, that the State Auditor identifies as being~~
39 ~~at high risk for the potential of waste, fraud, abuse, or~~

1 mismanagement or that has major challenges associated with its
2 economy, efficiency, or effectiveness.

3 ~~(b) In addition to identifying a local government agency as high
4 risk on the basis of weaknesses identified in audit and investigative
5 reports produced by the bureau, the State Auditor may consult
6 with the Controller, Attorney General, and other state agencies
7 that have oversight responsibilities over any local government
8 agency, in identifying local governments that are at high risk.~~

9 ~~(c) The Bureau of State Audits shall be responsible for the state
10 costs associated with the high-risk local government agency audit
11 program, shall conduct the program as funds permit, and shall only
12 conduct the program to the extent that it does not interfere with
13 duties related to mandated audits and requests from the Joint
14 Legislative Audit Committee.~~

15 ~~(d) (1) The State Auditor shall notify the Joint Legislative Audit
16 Committee whenever he or she identifies a local government as
17 at high risk.~~

18 ~~(2) The State Auditor shall provide the Joint Legislative Audit
19 Committee, at a public hearing of the committee, an annual update
20 of all audits in progress.~~

21 ~~(3) If a local government agency has taken significant corrective
22 measures for deficiencies identified by the State Auditor, that
23 agency shall be removed from the high-risk local government
24 agency audit program.~~

25 ~~(e) Notwithstanding the requirements of Section 10231.5, if the
26 State Auditor establishes the program provided for in this section
27 and the State Auditor determines that a local agency is at high risk,
28 the State Auditor shall issue audit reports at least once every two
29 years with recommendations for improvement of that local agency.~~

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