

ASSEMBLY BILL

No. 117

Introduced by Assembly Member Cooley

January 14, 2013

An act to amend Sections 13401 and 13403 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 117, as introduced, Cooley. State government: financial and administrative accountability.

Under the Financial Integrity and State Manager's Accountability Act of 1983, the Legislature declares it to be the policy of the State of California that, among other things, each state agency must maintain effective systems of internal accounting and administrative control as an integral part of its management practices, and that those systems be evaluated on an ongoing basis through regular and ongoing monitoring processes.

This bill would additionally make a legislative declaration of the policy that it be the responsibility of the Department of Finance, in consultation with the Controller and State Auditor, to establish specified guidelines for how the independence and objectivity of the persons tasked with monitoring processes are to be maintained.

The act requires that state agency heads are responsible for the establishment and maintenance of a system or systems of internal accounting, administrative control, and effective, independent, and objective ongoing monitoring of the internal accounting and administrative controls within their agencies.

This bill would require that it be the responsibility of the Department of Finance, in consultation with the Controller and State Auditor, to

establish guidelines to state agencies management on how the role of independent monitor should be staffed, structured, and its reporting function standardized so it fits within an efficient and normalized agency administrative framework.

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 13401 of the Government Code is
2 amended to read:

3 13401. (a) The Legislature hereby finds the following:

4 (1) Active oversight processes, including regular and ongoing
5 monitoring processes, for the prevention and early detection of
6 fraud and errors in program administration are vital to public
7 confidence and the appropriate and efficient use of public
8 resources.

9 (2) Fraud and errors in state programs are more likely to occur
10 from a lack of effective systems of internal accounting and
11 administrative control in the state agencies when active monitoring
12 measures are not maintained to ensure that accounting and
13 administrative controls are functioning properly.

14 (3) Effective systems of internal accounting and administrative
15 control provide the basic foundation upon which a structure of
16 public accountability must be built.

17 (4) Effective systems of internal accounting and administrative
18 control are necessary to ensure that state assets and funds are
19 adequately safeguarded, as well as to produce reliable financial
20 information for the agency.

21 (5) Systems of internal accounting and administrative control
22 are necessarily dynamic and must be routinely monitored,
23 continuously evaluated, and, where necessary, improved.

24 (6) Reports regarding the continuing adequacy of the systems
25 of internal accounting and administrative control of each state
26 agency are necessary to enable the executive branch, the
27 Legislature, and the public to evaluate the agency’s performance
28 of its public responsibilities and accountability.

29 (b) The Legislature declares it to be the policy of the State of
30 California that:

1 (1) Each state agency must maintain effective systems of internal
2 accounting and administrative control as an integral part of its
3 management practices.

4 (2) The systems of internal accounting and administrative control
5 of each state agency shall be evaluated on an ongoing basis through
6 regular and ongoing monitoring processes and, when detected,
7 weaknesses must be promptly corrected.

8 (3) All levels of management of the state agencies must be
9 involved in assessing and strengthening the systems of internal
10 accounting and administrative control to minimize fraud, errors,
11 abuse, and waste of government funds, however, key monitoring
12 processes should be structured to ensure the independence and
13 objectivity of persons tasked with such monitoring.

14 (4) *It shall be the responsibility of the Department of Finance,*
15 *in consultation with the Controller and State Auditor, to establish*
16 *guidelines for how the independence and objectivity of the persons*
17 *tasked with monitoring processes are to be maintained. Such*
18 *guidelines should include establishing monitor training programs,*
19 *identification of appropriate chain-of-command reporting*
20 *relationships, and recommended best practices for professional*
21 *development and the conduct of independent monitoring, including*
22 *practices for the regular dissemination of strategies and lessons*
23 *learned from successful efforts to strengthen state administration*
24 *via interagency cooperation.*

25 SEC. 2. Section 13403 of the Government Code is amended
26 to read:

27 13403. (a) Internal accounting and administrative controls, if
28 maintained and reinforced through effective monitoring systems
29 and processes, are the methods through which reasonable
30 assurances can be given that measures adopted by state agency
31 heads to safeguard assets, check the accuracy and reliability of
32 accounting data, promote operational efficiency, and encourage
33 adherence to prescribed managerial policies are being followed.
34 The elements of a satisfactory system of internal accounting and
35 administrative control, shall include, but are not limited to, the
36 following:

37 (1) A plan of organization that provides segregation of duties
38 appropriate for proper safeguarding of state agency assets.

1 (2) A plan that limits access to state agency assets to authorized
2 personnel who require these assets in the performance of their
3 assigned duties.

4 (3) A system of authorization and recordkeeping procedures
5 adequate to provide effective accounting control over assets,
6 liabilities, revenues, and expenditures.

7 (4) An established system of practices to be followed in
8 performance of duties and functions in each of the state agencies.

9 (5) Personnel of a quality commensurate with their
10 responsibilities.

11 (6) An effective system of internal review.

12 (b) State agency heads shall follow these standards of internal
13 accounting and administrative control in carrying out the
14 requirements of Section 13402.

15 (c) Monitoring systems and processes are vital to the following:

16 (1) Ensuring that routine application of internal controls do not
17 diminish their efficacy over time.

18 (2) Providing timely notice and opportunity for correction of
19 emerging weaknesses with established internal controls.

20 (3) Facilitating public resources and other decisions by ensuring
21 availability of accurate and reliable information.

22 (4) Facilitating production of timely and accurate financial
23 reports, *and the submittal, when appropriate, of recommendations*
24 *for how greater efficiencies in support of the agency's mission*
25 *may be attainable via the consolidation or restructuring of*
26 *potentially duplicative or inefficient processes, programs, or*
27 *practices where it appears such changes may be achieved without*
28 *undermining program effectiveness, quality, or customer*
29 *satisfaction.*

30 (d) *It shall be the responsibility of the Department of Finance,*
31 *in consultation with the Controller and State Auditor, to establish*
32 *guidelines to state agencies management on how the role of*
33 *independent monitor should be staffed, structured, and its reporting*
34 *function standardized so it fits within an efficient and normalized*
35 *agency administrative framework.*

36 ~~(e)~~

37 (e) State agency heads shall implement systems and processes
38 to ensure the independence and objectivity of the monitoring of

- 1 internal accounting and administrative control as an ongoing
- 2 activity in carrying out the requirements of Section 13402.

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