

AMENDED IN SENATE JULY 2, 2015

AMENDED IN ASSEMBLY APRIL 8, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 728**

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**Introduced by Assembly Member Hadley**

February 25, 2015

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An act to amend Section 13405 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 728, as amended, Hadley. State government: financial reporting. Existing law, the ~~Financial Integrity and State Manager's Accountability Act of 1983 (FISMA)~~, *State Leadership Accountability Act*, provides that state agency heads are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies, as specified. Existing law requires state agency heads ~~covered by the FISMA~~ to, biennially, conduct an internal review and prepare a report on the adequacy of the agency's systems of internal accounting, administrative control, and monitoring practices. Copies of the reports are required to be submitted to the Legislature, the California State Auditor, the Controller, ~~the Treasurer, the Attorney General, the Governor, the director, the Department of Finance, the Secretary of Government Operations~~, and to the State Library where ~~the copies are~~ *copy is* required to be available for public inspection.

This bill would also require the report to be posted on the agency's Internet Web site within 5 days of finalization.

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 13405 of the Government Code is~~  
2     ~~amended to read:~~  
3     ~~13405. (a) To ensure that the requirements of this chapter are~~  
4     ~~fully complied with, the head of each state agency that the director~~  
5     ~~determines is covered by this section shall, on a biennial basis but~~  
6     ~~no later than December 31 of each odd-numbered year, conduct~~  
7     ~~an internal review and prepare a report on the adequacy of the~~  
8     ~~agency's systems of internal accounting, administrative control,~~  
9     ~~and monitoring practices in accordance with the guide prepared~~  
10    ~~by the director pursuant to subdivision (d).~~  
11    ~~(b) The report, including the state agency's response to review~~  
12    ~~recommendations, shall be signed by the head of the agency and~~  
13    ~~addressed to the agency secretary, or the director for agencies~~  
14    ~~without a secretary. Copies of the reports shall be posted on the~~  
15    ~~agency's Internet Web site within five days of finalization, and~~  
16    ~~submitted to the Legislature, the California State Auditor, the~~  
17    ~~Controller, the Treasurer, the Attorney General, the Governor, the~~  
18    ~~director, and to the State Library where they shall be available for~~  
19    ~~public inspection.~~  
20    ~~(c) The report shall identify any material inadequacy or material~~  
21    ~~weakness in an agency's systems of internal accounting and~~  
22    ~~administrative control that prevents the head of the agency from~~  
23    ~~stating that the agency's systems comply with this chapter. No~~  
24    ~~later than 30 days after the report is submitted, the agency shall~~  
25    ~~provide to the director a plan and schedule for correcting the~~  
26    ~~identified inadequacies and weaknesses, which shall be updated~~  
27    ~~every six months until all corrections are completed.~~  
28    ~~(d) The director, in consultation with the State Auditor and the~~  
29    ~~Controller, shall establish, and may modify from time to time as~~  
30    ~~necessary, a system of reporting and a general framework to guide~~  
31    ~~state agencies in conducting internal reviews of their systems of~~  
32    ~~internal accounting and administrative control.~~  
33    ~~(e) The director, in consultation with the State Auditor and the~~  
34    ~~Controller, shall establish, and may modify from time to time as~~  
35    ~~necessary, a general framework of recommended practices to guide~~

1 ~~state agencies in conducting active, ongoing monitoring of~~  
2 ~~processes for internal accounting and administrative control.~~

3 *SECTION 1. Section 13405 of the Government Code, as*  
4 *amended by Section 18 of Chapter 25 of the Statutes of 2015, is*  
5 *amended to read:*

6 13405. (a) To ensure that the requirements of this chapter are  
7 fully complied with, each agency head that the Department of  
8 Finance determines is covered by this section shall, on a biennial  
9 basis but no later than December 31 of each odd-numbered year,  
10 conduct an internal review and prepare a report on the adequacy  
11 of the state agency's systems of internal control, and monitoring  
12 practices in accordance with the guide prepared by the Department  
13 of Finance pursuant to subdivision (d).

14 (b) The report, including the state agency's response to review  
15 recommendations, shall be signed by the agency head and  
16 addressed to the agency secretary, or the Director of Finance for  
17 a state agency without a secretary. An agency head shall submit a  
18 copy of the report and related response, pursuant to a method  
19 determined by the Department of Finance, to the Legislature, the  
20 California State Auditor, the Controller, the Department of Finance,  
21 the Secretary of Government Operations, and to the State Library  
22 where the copy shall be available for public inspection. *A copy of*  
23 *the report shall be posted on the agency's Internet Web site within*  
24 *five days of finalization.*

25 (c) The report shall identify any material inadequacy or material  
26 weakness in a state agency's systems of internal control that  
27 prevents the agency head from stating that the state agency's  
28 systems comply with this chapter. Concurrently with the  
29 submission of the report pursuant to subdivision (b), the state  
30 agency shall provide to the Department of Finance a plan and  
31 schedule for correcting the identified inadequacies and weaknesses,  
32 that shall be updated every six months until all corrections are  
33 implemented.

34 (d) The Department of Finance in consultation with the  
35 California State Auditor and the Controller, shall establish, and  
36 may modify from time to time as necessary, a system of reporting  
37 and a general framework to guide state agencies in conducting  
38 internal reviews of their systems of internal control.

39 (e) The Department of Finance in consultation with the  
40 California State Auditor and the Controller, shall establish, and

- 1 may modify from time to time as necessary, a general framework
- 2 of recommended practices to guide state agencies in conducting
- 3 active, ongoing monitoring of processes for internal control.