

AMENDED IN ASSEMBLY JUNE 23, 2010
AMENDED IN SENATE JANUARY 12, 2010
AMENDED IN SENATE JUNE 1, 2009
AMENDED IN SENATE APRIL 20, 2009

SENATE BILL

No. 503

Introduced by Senator Kehoe

February 26, 2009

An act to add Section 16794 to the Government Code, relating to general obligation bonds.

LEGISLATIVE COUNSEL'S DIGEST

SB 503, as amended, Kehoe. State General Obligation Bond Law: audits.

The State General Obligation Bond Law sets forth the procedures for the issuance and sale of bonds governed by its provisions and for the disbursement of the proceeds of the sale of those bonds. Existing law provides for various oversight and reporting requirements for the expenditure of state funds, including the proceeds of bonds.

This bill would require the Controller to select one or more projects funded by any state general obligation bond act approved on or after January 1, 2010, to be the subject of an audit to be conducted as specified. The Controller would be required annually to assign up to 5 auditor positions to conduct these audits. The Controller would be authorized to examine any record of any agency, contractor, and other specified parties that relates to the use of bond proceeds and would be required, by April 30 of each year, to prepare an audit plan for the following fiscal year. The bill would require an entity that is to be audited, prior to contracting with the Controller for an audit, to

determine that it is able to pay the estimated cost of conducting the audit from the proceeds of bonds for administrative purposes for that project. The bill would prohibit the Controller from conducting the audit if those proceeds are not available.

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 16794 is added to the Government Code,
2 to read:

3 16794. (a) The Controller shall select one or more projects
4 funded by any state general obligation bond act approved by the
5 voters on or after January 1, 2010, to be subject to an audit or
6 audits pursuant to this section, in accordance with the audit plan
7 specified in subdivision ~~(f)~~ (e).

8 (b) When conducting an audit pursuant to this section, the
9 Controller shall audit the bond project in order to ensure that the
10 project is implemented in an efficient, cost-effective, and timely
11 way and that bond proceeds are spent in a manner that is legal and
12 consistent with the provisions of the authorizing measures. Based
13 on these audits, the Controller shall make recommendations to the
14 Legislature and responsible departments and agencies about how
15 to improve implementation of bond projects.

16 (c) For the purpose of conducting an audit under this section,
17 the Controller shall be given access to, and is authorized to
18 examine, any record of any agency, contractor, subcontractor,
19 vendor, or other individual or entity receiving, directly or indirectly,
20 bond proceeds if the record is related to the use of those proceeds.
21 For this purpose, the Controller has the same authority to access
22 records, and be subject to the same provisions on disclosure of
23 records, as provided for the State Auditor in Article 1 (commencing
24 with Section 8543) of Chapter 6.5 of Division 1.

25 (d) The department or agency responsible for the project being
26 audited shall reimburse the Controller for the actual cost of
27 conducting the audit from the proceeds of bonds allocated for
28 administrative purposes for that project. Prior to contracting with
29 the Controller to conduct any audit, the entity responsible for the
30 project to be audited shall determine that it is able to pay the
31 estimated cost of conducting the audit from the proceeds of bonds

1 for administrative purposes for that project. If the entity is unable
2 to pay the estimated cost of conducting the audit from the proceeds
3 of bonds for administrative purposes for that project, the Controller
4 shall not conduct the audit. To cover the cost of each audit, the
5 Controller shall use only those funds allocated for the particular
6 project being audited and not funds allocated for any other project.

7 ~~(e) Any audit conducted by the Controller pertaining to Chapter~~
8 ~~1.699 (commencing with Section 5096.800) and Division 43~~
9 ~~(commencing with Section 75001) of the Public Resources Code~~
10 ~~shall complement, and not replace, the independent audits specified~~
11 ~~by Sections 5096.953 and 75078 of the Public Resources Code.~~
12 ~~To eliminate audit duplication and streamline the audit process,~~
13 ~~the agencies authorized to conduct independent audits under these~~
14 ~~provisions shall first consider contracting with the Controller to~~
15 ~~conduct any independent audit. Funding for an audit authorized~~
16 ~~by Section 75078 of the Public Resources Code shall be subject~~
17 ~~to the administrative cost share limitation specified in Section~~
18 ~~75070.5 of the Public Resources Code.~~

19 ~~(f)~~

20 (e) The Controller shall, by April 30 of each year, prepare an
21 audit plan for the following fiscal year specifying the projects that
22 will be subject to an audit pursuant to this section, the responsible
23 departments or agencies to be audited, and an estimated completion
24 date of the audits. The Controller shall annually assign up to five
25 auditor positions to conduct the audits specified by this section. If
26 the audit plan identifies a need for additional auditors, the
27 Controller may request funding in the annual Budget Bill for
28 additional auditors.

29 ~~(g)~~

30 (f) It is the intent of the Legislature that the savings to the state
31 from implementing recommendations made as a result of audits
32 required by this section fully offset the cost of conducting the
33 audits.