

Date of Hearing: April 19, 2023

ASSEMBLY COMMITTEE ON ACCOUNTABILITY AND ADMINISTRATIVE REVIEW

Cottie Petrie-Norris, Chair

AB 1348 (Grayson) – As Amended March 20, 2023

**SUBJECT:** State government: Controller: claims audits

**SUMMARY:** Would provide the State Controller’s Office (SCO) with financial oversight and audit authority over voter approved initiatives where money comes from a special fund or bond issuance. The bill would also require the SCO to annually report to the Legislature on initiative program audit findings and recommendations. Specifically, **this bill:**

1. Unless prohibited by the provisions of a state ballot proposition, would require the SCO to conduct financial and compliance audits to ensure that all expenditures are consistent with the provisions of a state ballot proposition passed by the electorate and the intent of the voters.
2. Would authorize the SCO to also conduct any audits necessary to carry out its constitutional and statutory duties and responsibilities under the law
3. Unless prohibited by the provisions of a state ballot proposition, would authorize the SCO to recover its costs in conduct audits.
4. Could not be construed to authorize any entity or individual, including but not limited to, any state or local agency, subcontractor, or subrecipient of a claim, to constrain, in any manner, the SCO from carrying out any audit.
5. Would require the SCO to report to the Legislature by June 30 of each year as follows:

The report shall contain information regarding programs that are not in compliance with any state ballot proposition passed by the electorate and any applicable regulations.

The report shall categorize audit exception by types and shall identify the reasons for the exceptions.

The report shall include the SCO’s recommendations to the Legislature as to what action should be taken, based on the content of the report.

6. Would require the SCO to allow auditees in the report a reasonable period of time to review and comment on the audit findings and recommendations relating to the auditee before the annual report is provided to the Legislature.

**EXISTING LAW:**

The SCO shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment. (**Government Code Section 12410**)

The SCO shall keep and state all accounts in which the State is interested and keep a separate account under the head of each specific appropriation, showing at all times the undisbursed balance of the appropriation. (**Government Code Section 12412**)

The SCO shall account for expenditures as scheduled in the Budget Act. (**Government Code Section 12412.1(a)**)

**FISCAL EFFECT:** Unknown, this bill has not been analyzed by a fiscal committee.

**COMMENTS:**

California's ballot initiative process provides citizens a way to propose laws and constitutional amendments without the support or guidance from the Governor or the Legislature. While some initiatives include specific statutory authority for the SCO to provide for spending oversight, not all initiatives do. This bill would grant the SCO with the necessary authority to address this lack of fiscal oversight.

**Author's Statement:**

“Under the State Constitution, the Controller is charged with the audit of every claim for payment of state and federal funds prior to the expenditure of funds. While there are certain ballot initiatives that authorize a Controller's audit, many initiatives are passed by voters that do not provide for spending oversight. As a result, billions of dollars are spent with no specific accountability mechanism identified.

To address these gaps in financial oversight, AB 1348 will establish audit authority for the Controller over voter approved initiatives, unless otherwise specified in the initiative. In doing so, AB 1348 will safeguard all expenditures of taxpayer dollars that are approved by voters through ballot initiative, regardless of the specific fund, requiring them to be reviewed and audited on a regular basis. This will ensure expenditures are made in a manner consistent with voter intent and will provide adequate financial oversight and accountability.”

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

California State Controller Malia Cohen (Sponsor)

**Opposition**

None on file.

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