

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: January 12, 2012
POSITION: Oppose unless amended
SPONSOR: State Controller

BILL NUMBER: AB 1345
AUTHOR: R. Lara
RELATED BILLS: AB 229

BILL SUMMARY: Local Government: Audits

Existing law provides that the Controller shall receive every audit report prepared for any local public agency in compliance with the federal Single Audit Act of 1984. This bill would require the Controller to perform quality control review of the audit working papers and make referrals to the California Board of Accountancy for any audits the Controller determines were conducted in an unprofessional manner. It would also authorize the Controller to appoint an accountant to prepare audit reports not submitted by local agencies within specified timeframes and to recover from the local agency any costs incurred by the Controller to obtain the audit report.

FISCAL SUMMARY

The State Controller’s Office (SCO) states there is no fiscal impact from this bill because the SCO already reviews the reports. Finance notes that, to the extent this bill requires the SCO to perform additional work related to quality control reviews of audit working papers, SCO would incur significant costs.

COMMENTS

Finance is opposed to this bill unless amended to delete language that could be construed to require the SCO to perform quality control review of audit working papers. The SCO indicates that it currently reviews audit reports to ascertain compliance with the federal act. Therefore, we suggest amendments to conform to SCO’s current practice and avoid the inadvertent creation of new workload for the SCO.

Finance has no objections to other provisions of this bill as they would help minimize problems that have occurred in recent independent audits of the City of Bell and County of Modoc.

Code/Department Agency or Revenue Type	(Fiscal Impact by Fiscal Year)								Fund Code			
	(Dollars in Thousands)											
	SO	LA	CO	PROP	FC	2011-2012	FC	2012-2013		FC	2013-2014	
0840/Controller	SO	No								See Fiscal Summary		0001

Analyst/Principal (0123) O. Chaves	Date	Program Budget Manager Veronica Chung-Ng	Date
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Department Deputy Director	Date
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Governor’s Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

Suggested Amendments
AB 1345 (As amended January 12, 2012)

On page 3, beginning with line 1, after "Controller" delete the following:

"finds through a quality control review of the audit working papers of the audit report made pursuant to this section" and add the following:

“, while ascertaining compliance of audit reports with the federal act per subdivision (a), finds“