

Discretionary Authority to Audit Local Governments

SB 186

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While the State Controller's Office has some discretion to investigate concerns linked to annual financial transaction reports filed by local governments, this does not assure timely action. Because the annual reports are filed with the Controller's Office 12 months after the end of the local agency's fiscal year, an unallowable transaction, such as illegal loans or taxes, won't appear in an annual report until more than a year after they occur.

There are many state laws affecting local government operations – such as Proposition 218 – where compliance is left solely up to the local governments. The Legislature that passed such laws and the public who voted for the propositions deserve some independent assurance that they are being complied with by the local governments.

This bill would:

Expand the Controller's authority to perform discretionary audits to ensure compliance with local ordinances and state law.

This will give the Controller's Office the authority to quickly audit concerns about mismanagement or violations of state law affecting local funding to ensure local governments carry out their financial operations with honesty and efficiency.

Specifically, the bill would allow the Controller's Office to perform audits of local government activities that would include, but not be limited to: 1) compliance with tax and fee requirements under Propositions 218 and 26; 2) compliance with state and local bond requirements; and 3) compliance with restricted fund requirements.