



STATE OF CALIFORNIA  
**Franchise Tax Board**

## **Bill Analysis**

Author: Dixon

Sponsor:

Bill Number: AB 1225

Related Bills: See Legislative  
History

Introduced: February 16, 2023

### **SUBJECT**

State Agency Audit Reporting

### **SUMMARY**

Under the Government Code (GOV), this bill would require internal audit reports to be posted on a state agency's website within 14 days of the report being made. This bill also makes other technical changes.

This analysis only addresses the provisions of the bill that would impact the department.

### **RECOMMENDATION**

No position.

### **SUMMARY OF AMENDMENTS**

Not applicable.

### **REASON FOR THE BILL**

The reason for this bill is to require state agencies to post their audit findings and recommendations on their websites.

### **ANALYSIS**

This bill would, under the GOV, remove the requirement, and rather make it optional, for a state agency with aggregate spending of fifty million or more on an annual basis to consider establishing an ongoing audit function.

This bill would also require state agencies, including the Franchise Tax Board (FTB), to post internal audit findings and recommendations, on the FTB's website within 14 days of a report being made.

This bill also makes other technical changes.

Introduced January 16, 2023

*Effective/Operative Date*

This bill would be effective and operative January 1, 2024.

*Federal/State Law*

*Federal Law*

No comparable provision in federal law.

*State Law*

Current state law requires state agencies with aggregate spending of fifty million dollars or more annually, to consider establishing an ongoing audit function.

State agencies who are overseen by a governing body, require the internal audit operations to meet the following requirements:

- The chief internal auditor (CIO) is accountable to the audit committee of the governing body.
- The CIO is to report audit findings and recommendations made in their agency to the audit committee and the general counsel to the governing body.

These responsibilities required by the CIO, shall be separate from their current role and responsibilities within the FTB.

Current state law requires state agency websites to meet accessibility requirements.

*Implementation Considerations*

The FTB has identified the following implementation considerations and is available to work with the author's office to resolve these and other considerations that may be identified.

The bill does not contain an exception for information that is proprietary, confidential, or both. Additionally, the bill is silent on whether the department would be able to redact confidential or proprietary information from internal audit reports. To maintain consistency with existing confidentiality laws and the treatment of proprietary tax administration information, this bill should be amended.

The time allotted to post the final report on the internet website does not allow sufficient time for required FTB staff to review and post the report to the website and ensure it meets existing accessibility requirements for website content.

Introduced January 16, 2023

*Technical Considerations*

None noted.

*Policy Considerations*

None noted.

**LEGISLATIVE HISTORY**

SB 1452 (Speier, Chapter 452, Statutes of 2006) created the Omnibus Audit Accountability Act of 2006, and requires an ongoing internal audit function of state agencies to safeguard public funds and the public interest.

AB 884 (Patterson, 2021/2022), would have required all state agencies, who meet specified criteria, to establish an ongoing audit function and an audit committee as specified. In addition, state agencies would have been required to post on their internet website audit findings and recommendations. AB 884 did not pass out of the Assembly by the constitutional deadline.

**PROGRAM BACKGROUND**

FTB has an Internal Audit (IA) function, which was established in 1981. IA is an integral part of FTB's business operations and performs a wide variety of tasks including:

- Evaluating business processes and operations for ways to improve effectiveness and efficiency.
- Helping business areas comply with various federal, state, and departmental laws, rules and regulations, and policies.
- Ensuring business processes have proper internal controls in place to safeguard our resources.

**FISCAL IMPACT**

The FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be determined.

**ECONOMIC IMPACT**

*Revenue Estimate*

This bill as introduced on February 16, 2023, would not impact state income or franchise tax revenue.

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**LEGAL IMPACT**

None noted.

**APPOINTMENTS**

None noted.

**SUPPORT/OPPOSITION**

To be determined.

**ARGUMENTS**

To be determined.

**LEGISLATIVE CONTACT**

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