

**Department of Transportation
Independent Office of Audits and Investigations**

Section 1. Section 14460 of the Government Code is amended to read:

14460.

(a) There is hereby created in the department the Independent Office of Audits and Investigations to ensure all of the following:

(1) The department, and external entities that receive state and federal transportation funds from the department, are spending those funds efficiently, effectively, economically, and in compliance with applicable state and federal requirements. Those external entities include, but are not limited to, private for profit and nonprofit organizations, local transportation agencies, and other local agencies that receive transportation funds either through a contract with the department or through an agreement or grant administered by the department.

(2) The department's programs are functioning consistent with applicable accounting standards and practices and are administered effectively, efficiently, and economically.

(3) The department's management is accomplishing departmental priorities, developing an annual audit plan, administering an effective enterprise risk management program, and is making efficient, effective, and financially responsible transportation decisions.

(4) The Secretary of Transportation, the Legislature, the California Transportation Commission, and the director and chief deputy director of the department are fully informed concerning fraud, improper activities, or other serious abuses or deficiencies relating to the expenditure of transportation funds or administration of department programs and operations.

(b) The Governor shall appoint the director of the Audits and Investigations Office, who shall serve a six-year term, have the title of Inspector General, and be subject to Senate confirmation. The Inspector General may not be removed from office during that term, except for good cause. The reasons for removal of the Inspector General shall be stated in writing and shall include the basis for removal. The writing shall be sent to the Secretary of the Senate and the Chief Clerk of the Assembly at the time of the removal and shall be deemed to be a public document.

(c) The Inspector General is vested with the full authority to exercise all responsibility for maintaining a full scope, independent, and objective audit and investigation program as prescribed by Sections 1237, 13885, 13886.5, 13887.5, and 13888, including, but not limited to, those activities described in Section 14461.

(d) Notwithstanding Section 13887, in order to achieve independence and objectivity pursuant to this section, the Independent Office of Audits and Investigation shall meet all of the following requirements:

(1) The Inspector General shall report all audit and confidential investigation findings and recommendations made under his or her jurisdiction to the Secretary of Transportation and the director and chief deputy director of the department on an ongoing and current basis.

(2) The Inspector General shall report at least annually, or upon request, to the Governor, the Legislature, and the California Transportation Commission with a summary of his or her investigation and audit findings and recommendations. The summary shall be posted on the office's Internet Web site and shall otherwise be made available to the public upon its release to the Governor, commission, and Legislature. The summary shall include, but need not be limited to, significant problems discovered by the Inspector General and whether the Inspector General's recommendations relative to audits and investigations have been implemented by the affected units and programs of the department or affected external entities. The report shall be submitted to the Legislature in compliance with Section 9795.

14461.

The Inspector General shall review policies, practices, and procedures and conduct audits and investigations of activities involving state transportation funds administered by the department in consultation with all affected units and programs of the department and external entities.

The Independent Office of Audits and Investigations shall have access and authority to examine all records, files, documents, accounts, reports, correspondence, or other property of the department and external entities that receive state and federal transportation funds from the department. It may enter any public office or institution in this state and access, examine, and reproduce during regular business hours all records, files, documents, accounts, reports, vouchers, correspondence files, and all other records for any audit or investigation. Any officer or employee of any agency or entity having these records or property in his or her possession, under his or her control, or otherwise having access to them, shall permit access to, and examination and reproduction thereof, upon the request of the Inspector General or his or her authorized representative.

14461.1

(a) No law providing for the confidentiality of any records or property shall prevent disclosure of information or documents obtained in connection with any audit, evaluation, investigation, or review conducted by the Inspector General unless the provision specifically refers to and precludes access, examination, and reproduction pursuant to Section 14461. Information or documents obtained in connection with any audit, evaluation, investigation, or review conducted by the Inspector General are subject to any limitations on release of the information or documents as may apply to an employee or officer of the state or external entity subject to this Chapter that provided the information or documents. Providing confidential information pursuant to this section, including, but not limited to, confidential information that is subject to a privilege, shall not constitute a waiver of that privilege.

(b) For purposes of this section, "confidentiality of records or property" means that the record or property may lawfully be kept confidential as a result of a statutory or common law privilege or any other provision of law.

(c) Any information or documents obtained in connection with an audit, evaluation, investigation, or review conducted by the Inspector General may be kept confidential and

disclosure of the information or documents shall not be required under the California Public Records Act if the Inspector General determines that nondisclosure would protect a person from potential retaliation or fear of retaliation for participating in the audit, evaluation, investigation, or review.

14461.2

It is a misdemeanor, punishable by imprisonment in the county jail not exceeding six months, or by a fine not exceeding one thousand dollars (\$1,000), or by both that imprisonment and fine, to do any of the following:

(a) Fail or refuse to permit the examination of, access to, or reproduction of the records, files, documents, accounts, reports, correspondence, cash drawers, or cash of his or her office by the Inspector General or in any way interferes with such examination conducted pursuant to this article.

(b) Interfere, intend to deceive or defraud, or obstruct the Inspector General in their performance of an audit, evaluation, investigation or review pursuant to this article.

(c) Manipulate, correct, alter, or change records, documents, accounts, reports, or correspondence prior to or during any audit, evaluation, investigation, or review conducted pursuant to this article.

(d) Distribute, reproduce, release, or fail to safeguard confidential draft documents exchanged between the Inspector General and the entity subject to the audit, evaluation, investigation, or review conducted pursuant to this article prior to the release of the final report and without the Inspector General's express permission.