THIRD READING

Bill No: AB 1405
Author: Bauer-Kahan (D), et al.
Amended: 7/9/25 in Senate
Vote: 21

SENATE JUDICIARY COMMITTEE: 11-1, 7/1/25
AYES: Umberg, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Wahab, Weber Pierson, Wiener
NOES: Niello
NO VOTE RECORDED: Valladares

SENATE GOVERNMENTAL ORG. COMMITTEE: 11-2, 7/8/25
AYES: Padilla, Archuleta, Ashby, Blakespear, Cervantes, Hurtado, Richardson, Rubio, Smallwood-Cuevas, Wahab, Weber Pierson
NOES: Dahle, Ochoa Bogh
NO VOTE RECORDED: Valladares, Jones

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/13/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 62-4, 6/2/25 - See last page for vote

SUBJECT: Artificial intelligence: auditors: enrollment

SOURCE: Author

DIGEST: This bill establishes an enrollment process for auditors of artificial intelligence (AI) systems or models through the Government Operations Agency (GovOps) and sets certain minimum standards for AI auditing pursuant to any state statutes.

ANALYSIS:

Existing law:

1) Establishes the Government Operations Agency (GovOps) within the state government. (Government (Gov.) Code § 12800.)

2) Establishes the Department of Technology within GovOps, and charges it with the approval and oversight of information technology projects. (Gov. Code §§ 11545, 11546.)

3) Defines "artificial intelligence" as an engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer from the input it receives how to generate outputs that can influence physical or virtual environments. (Gov. Code § 11546.45.5(a)(1).)

This bill:

1) Requires GovOps, by January 1, 2027, to do all of the following:
   a) Establish mechanisms on their website allowing AI auditors to enroll and natural persons to report misconduct by an enrolled AI auditor.
   b) Fix enrollment fees at an amount not exceeding the reasonable costs of administering these provisions.

2) Requires GovOps, starting January 1, 2027, to do all of the following:
   a) Publish any information provided by an enrolled AI auditor in a publicly accessible format on the agency's website.
   b) Retain any report submitted using the relevant mechanism for as long as the enrolled AI auditor remains enrolled, plus 10 years.
   c) Share reports submitted using the relevant mechanism with other state agencies as necessary for enforcement purposes.

3) Requires an AI auditor, beginning January 1, 2027, prior to conducting any covered audits, to do all of the following:
   a) Enroll with GovOps and pay the relevant enrollment fee.
   b) Provide GovOps with specified information, including details about the AI auditor and their protocols.

4) Defines "covered audit" as an audit conducted pursuant to any state statute that requires an audit of an AI system or model by an independent third party auditor.

5) Requires an AI auditor, in conducting a covered audit, to abide by widely recognized industry standards appropriate to the system or model being audited.

6) Requires an AI auditor, after conducting a covered audit, to provide the auditee with an audit report that contains, but is not limited to, all of the following:
   a) The scope and objectives of the audit.
   b) The results of the audit and any documentation necessary to demonstrate the basis of those results.
   c) An explanation of any steps the auditee can take to meet widely recognized industry standards appropriate to the system or model being audited.
   d) An explanation of any steps the auditee can take to become compliant with state law.
   e) A statement that is signed and dated by each auditor that certifies that the covered audit was completed.

7) Prohibits an AI auditor from knowingly making a material misrepresentation in an audit report prepared pursuant hereto. An enrolled AI auditor shall not conduct a covered audit if it has a financial interest in the auditee other than financial compensation for performing an audit.

8) Requires an enrolled AI auditor to retain any documentation that is provided to an auditee pursuant to this chapter, or that is necessary to demonstrate the basis of the result of a covered audit, for at least 10 years.

9) Provides that an enrolled AI auditor shall not accept employment with an auditee within 12 months of completing a covered audit of the auditee. An enrolled AI auditor shall not conduct a covered audit if the auditee had employed the auditor during the 12-month period preceding the audit.

10) Authorizes an enrolled AI auditor to disclose confidential information concerning an auditee only if the auditee provides written authorization or if the disclosure is any of the following:
   a) Made in compliance with a subpoena or a summons enforceable by order of a court.
   b) Reasonably necessary to maintain or defend the auditor in a legal proceeding initiated by the auditee.
   c) Made in response to an official inquiry from a federal or state government regulatory agency.
   d) Made to another enrolled AI auditor or person in connection with a proposed sale or merger of the auditor's professional practice, provided the

parties enter into a written nondisclosure agreement with regard to all auditee information shared between the parties.
   e) Made to another enrolled AI auditor to the extent necessary for purposes of professional consultation.
   f) Made to organizations that provide professional standards review and ethics or quality control peer review.
   g) Specifically permitted by state or federal law.

11) Provides that an enrolled AI auditor shall not do either of the following:
    a) Prevent an employee from disclosing information to the Attorney General or the Labor Commissioner, or using the misconduct-reporting mechanism, including through terms and conditions of employment or seeking to enforce terms and conditions of employment, if the employee has reasonable cause to believe the information indicates that the auditor is out of compliance with the requirements of this chapter.
    b) Retaliate against an employee for so disclosing information.

12) Establishes the AI Auditors' Enrollment Fund within the State Treasury. The fund shall be administered by GovOps and all moneys collected or received by the agency hereunder shall be deposited into this fund to be available for expenditure by GovOps, upon appropriation, to administer this program.

Background

AI models and systems have opened beneficial possibilities and breakthroughs in a variety of sectors, including healthcare, creative industries, education, business operations, and customer service. However, these models also pose significant risks to society with their capabilities, whether it is through the creation of chemical, biological, radiological, or nuclear (CBRN) weapons, utilization to carry out cyberattacks at scale, algorithmic discrimination, or evasion of the oversight and control of their developers or deployers. Given how complex and opaque these models can be and the lack of comprehensive regulatory oversight of their development, one tool that has increasingly been advocated for as a foundational element of any such framework is the use of independent auditing.

In order to ensure the proper oversight and identification of sophisticated and reliable AI auditors should such auditing be required by law in the future, this bill establishes a process for GovOps to enroll AI auditors and create a publicly accessible listing of relevant information about these auditors. This bill provides clear guidelines for "covered audits" and a number of requirements to ensure no conflict of interests or misconduct on the part of enrolled AI auditors. This bill is author-sponsored and supported by Oakland Privacy and Transparency Coalition.ai. It is opposed by industry associations, including TechCA. For a more thorough discussion of this bill, please see the Senate Judiciary Committee analysis of the bill, which is incorporated herein by reference.

Comment

According to the author:

> Over the past decade, artificial intelligence (AI) systems have become increasingly powerful and accessible. Just as financial audits improve transparency and mitigate risks in capital markets, independent third party audits play a critical role in ensuring that AI systems are developed and deployed responsibly. Well-structured audits can help identify risks, verify compliance with ethical and legal standards, and build public trust in AI technologies. AB 1405 establishes an enrollment process for AI auditors and sets minimum transparency, competency, and ethical standards for enrolled auditors.

The use of AI auditing can be a key tool in effectively assessing how AI systems and models are working and what their impacts are. Audits can ensure legal compliance and, when shared publicly, afford a measure of transparency. Mandatory audits create baseline standards across the industry, making it easier to compare different AI systems and ensuring minimum safety thresholds. This levels the playing field and prevents a "race to the bottom" where competitive pressures lead companies to skimp on safety measures. Audit requirements create transparency that builds public confidence in AI systems, especially those used in critical domains like healthcare, criminal justice, or financial services. When people know systems have been independently verified, they are more likely to accept and appropriately use AI tools. This accountability also provides recourse when things go wrong, as qualified auditors can provide concrete evidence for regulatory decisions and legal proceedings. They create a paper trail showing whether companies exercised reasonable care, which is crucial for determining liability when AI systems cause harm. Especially given the limited resources and expertise of state government in carrying out such audits, ensuring the availability of qualified independent auditors is crucial to the effectiveness of any auditing regime.

Last year, the National Telecommunications and Information Administration (NTIA) published an "Artificial Intelligence Accountability Policy Report." One of its main recommendations focused on the utility of such independent auditing:

> Independent AI audits and evaluations are central to any accountability structure. To help create clarity and utility around independent audits, we recommend that the government work with stakeholders to create basic guidelines for what an audit covers and how it is conducted – guidance that will undoubtedly have some general components and some domain-specific ones. This work would likely include the creation of auditor certifications and audit methodologies, as well as mechanisms for regulatory recognition of appropriate certifications and methodologies.
>
> Auditors should adhere to consensus standards and audit criteria where possible, recognizing that some will be specific to particular risks (e.g., dangerous capabilities in a foundation model) and/or particular deployment contexts (e.g., discriminatory impact in hiring). Much work is required to create those standards – which NIST and others are undertaking. Audits and other evaluations are being rolled out now concurrently with the development of technical standards. Especially where evaluators are not yet relying on consensus standards, it is important that they show their work so that they too are subject to evaluation. Auditors should disclose methodological choices and auditor independence criteria, with the goal of standardizing such methods and criteria as appropriate. The goals of safeguarding sensitive information and ensuring auditor independence and appropriate expertise may militate towards a certification process for qualified auditors.
>
> AI audits should, at a minimum, be able to evaluate claims made about an AI system's fitness for purpose, performance, processes, and controls.[1]

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

Government Operations Agency (GovOps) reports a significant fiscal impact (General Fund, AI Auditors Enrollment Fund) ranging from $5 million to $10 million annually. Specifically GovOps reports that its estimated costs depend on platform complexity, startup and recurring costs; platform development: build

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[1] *Artificial Intelligence Accountability Policy Report* (March 27, 2024) NTIA, **https://www.ntia.gov/sites/default/files/publications/ntia-ai-report-final.pdf** [as of August 16, 2026].

public enrollment and reporting system; staffing: program administration, IT development, data management; maintenance & oversight: manage complaints, compliance, enforcement coordination; and, fund management.

SUPPORT: (Verified 8/15/26)

California Initiative for Technology and Democracy
Oakland Privacy
Omidyar Network
TechEquity Action
Transparency Coalition.ai

OPPOSITION: (Verified 8/15/26)

Business Software Alliance
California Chamber of Commerce
Computer and Communications Industry Association
Techca
Technet

ARGUMENTS IN SUPPORT: Oakland Privacy asserts:

> Assembly Bill 1405 addresses the large question of how all of the companies that will have to start performing risk assessments under proposed regulations at both the CA Privacy Protection Agency, and on the legislative agenda, will find qualified auditors. While we firmly believe that the creation of new markets causes human beings to pivot to fill the void, it makes perfect sense for the State to help such organic processes along.
>
> AB 1405 proposes a registry that would provide in one place the experiences and qualifications of a number of third party entities who are available to take on this work and allows businesses, especially those who may never have undertaken a risk assessment audit before, to get a handle on how to contract for this service.
>
> We are always glad to see the Legislature making an effort to produce useful compliance resources and we think this makes a great deal of sense. It is always more cost-effective and more helpful to the people of the State to aid regulatory compliance as opposed to penalizing for noncompliance.

ARGUMENTS IN OPPOSITION: The Business Software Alliance writes:

> [T]he existing AI auditing ecosystem is immature. While existing state law requires audits of certain public-sector high-risk automated decision systems, proposed legislation, namely AB 1018, would require third-party audits of private-sector automated decision systems. We have concerns regarding requirements for third-party audits of private-sector AI systems because today's AI auditing ecosystem is nascent and lacks: (1) comprehensive standards for how AI audits should be conducted; (2) a robust framework for governing the professional conduct of AI auditors; and (3) sufficient resources for conducting AI audits. Establishing clear mechanisms for audits of government AI systems that are already required by current law may help ensure those audits are conducted efficiently, however, we are concerned by any legislation that seeks to create auditing regimes for private-sector AI systems and encourage policymakers to consider more widely used and workable accountability tools, like impact assessments.

ASSEMBLY FLOOR: 62-4, 6/2/25
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NOES: DeMaio, Ellis, Gallagher, Sanchez
NO VOTE RECORDED: Castillo, Chen, Davies, Dixon, Flora, Jeff Gonzalez, Hadwick, Hoover, Lackey, Macedo, Patterson, Ta, Tangipa

Prepared by: Margie Estrada / JUD/ (916) 651-4113
8/17/26 10:34:27

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