
THIRD READING

Bill No: AB 1405
Author: Bauer-Kahan (D), et al.
Amended: 8/25/26 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: registration

SOURCE: Author

DIGEST: This bill establishes a registration process for auditors of artificial intelligence (AI) systems or models through the Government Operations Agency (GovOps) and creates and sets standards, reporting requirements, and transparency requirements for registered AI audits.

Senate Floor Amendments of 8/25/26 require GovOps to establish an AI Auditor Registry, no later than January 1, 2029, prohibits an unregistered person from conducting a covered AI audit, add various transparency and reporting

requirements for registered AI auditors, create standards for registered AI auditors, and refine various definitions, among other changes.

ANALYSIS:

Existing law:

- 1) Establishes 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, no later than January 1, 2029, to do all of the following:
 - a) Establish an AI Auditor Registry on their website allowing AI auditors to register and natural persons to report misconduct by a registered AI auditor.
 - b) Fix annual registration fees at an amount not exceeding the reasonable costs of administering these provisions.
- 2) Requires GovOps, starting January 1, 2029, to do all of the following:
 - a) Issue a unique registration number to each registered AI auditor.
 - b) Publish various pieces of information, as specified, provided in a publicly accessible format on the agency’s website.
 - c) Retain misconduct reports submitted using the relevant mechanism for as long as the relevant AI auditor remains registered, plus 10 years.
 - d) Share misconduct reports submitted using the relevant mechanism with other state agencies as necessary for enforcement purposes.
 - e) Periodically review and update the annual registration fees and reporting mechanism.
- 3) Prohibits a person, beginning January 1, 2029, from offering, selling, or conducting a covered AI audit unless the person is registered with GovOps.

- 4) Defines “covered AI audit” as an audit conducted to assess internal controls, processes, or systems implemented for an AI system or model that are necessary for compliance with state law.
- 5) Requires an AI auditor that registers with GovOps to provide all of the following information:
 - a) The business name and contact information of the AI auditor.
 - b) A list of California laws and regulations under which the AI auditor conducts covered AI audits.
 - c) Any relevant certifications or accreditations held by the AI auditor.
 - d) A written description of the AI auditor and their services.
 - e) A standard operating procedure, as specified.
- 6) Requires a registered AI auditor, after conducting a covered AI audit, to provide the auditee with an audit report, as specified, and to conduct covered AI audits in accordance with widely recognized industry standards.
- 7) Requires a registered AI auditor to retain various information and documentation, as specified, for at least 10 years.
- 8) Requires a registered AI auditor to adhere to various standards of independence, objectivity, and integrity, as specified.
- 9) Prohibits a registered AI auditor from preventing an employee from disclosing information to the Attorney General or Labor Commissioner, submitting a misconduct report, as specified, or retaliate against an employee for disclosing information or submitting a misconduct report.
- 10) Prohibits a registered 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.
- 11) Requires the registration number of a registered AI auditor to be clearly and conspicuously displayed on all advertising materials offering or soliciting covered AI services.
- 12) Provides that violations of the above provisions constitute grounds for removal from the registry and referral to the Attorney General or other appropriate

enforcement authority. Provides that prior to removal from the registry, GovOps shall provide the AI auditor with a written notice and a reasonable opportunity to cure or contest the removal.

- 13) Provides that GovOps may adopt regulations reasonably necessary to effectuate the purposes of this bill, as specified.
- 14) Establishes the AI Auditors' Registration 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 register AI auditors and create a publicly accessible listing of relevant information about these auditors. The bill provides clear guidelines for "covered AI audits" and a number of requirements to ensure no conflict of interests or misconduct on the part of registered 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 the 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 a registration process for AI auditors and sets minimum transparency, competency, and ethical standards for registered 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 public enrollment and reporting system; staffing: program administration, IT development, data management; maintenance & oversight: manage complaints, compliance, enforcement coordination; and, fund management.

SUPPORT: (Verified 8/25/26)

A-LIGN
Anthropic
California Initiative for Technology and Democracy
Common Sense Media
Fathom
Oakland Privacy

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 25, 2026].

Omidyar Network
TechEquity Action
Transparency Coalition.ai

OPPOSITION: (Verified 8/25/26)

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: Christian Kurpiewski / P., D.T., & C.P. / (916) 651-1548, Benjamin Diaz / P., D.T., & C.P. / (916) 651-1548
8/27/26 18:14:49

**** END ****