CONCURRENCE IN SENATE AMENDMENTS
AB 1405 (Bauer-Kahan)
As Amended August 25, 2026
Majority vote

SUMMARY

Establishes an Artificial Intelligence (AI) auditor registry in the Government Operations Agency and requires registered auditors be financially independent and transparent about their auditing practices.

Senate Amendments

1) Delay implementation to January 1, 2029.

2) Exempt certified public accountants in good standing with the Board of Accounting from specified provisions.

3) Grant the Government Operations Agency limited investigative authority into auditor misconduct.

COMMENTS

Background. Artificial intelligence systems are increasingly being deployed across high-impact sectors in California. While several prior or pending bills have proposed independent third-party auditing requirements, no such requirement has yet been enacted in California.

What this bill would do. AB 1405 would create a registry for AI auditors in the Government Operations Agency, and would require any audit conducted to assess compliance with state law be conducted by a registered auditor. Registered auditors would be held to minimum standards of transparency, independence, objectivity, and integrity.

Analysis. The development of GenAI is creating exciting opportunities to grow California's economy and improve the lives of its residents. GenAI can generate compelling text, images and audio in an instant – but with novel technologies come novel safety concerns. Most AI systems remain "black boxes" whose design elements and efficacies are held as trade secrets, making it difficult for the public to evaluate whether these systems are being used legally and ethically. Testing these systems becomes challenging when only customer-facing outputs are accessible, especially as the number of variables involved increases.

Civil society, industry, and governmental groups all have expressed support for independent third-party audits of AI systems to ensure that the products can be deployed safely and reliably. In 2024, a KPMG survey of over 1,800 companies across ten major markets found that 91% of business leaders believe that regular audits are the most effective practice in ensuring ethical AI use. Moreover, 80% of business leaders believe that third-party review will be an integral part of that practice.[1] In fact, many AI companies openly flaunt their use of independent evaluation.[2]

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[1] KPMG, "Navigating The AI Era In Financial Reporting," (May 8, 2024), https://kpmg.com/us/en/media/news/ai-in-financial-reporting-kpmg-2024.html.
[2] OpenAI, "OpenAI Red Teaming Network," (Sept. 23, 2023), https://openai.com/index/red-teaming-network/.

As AI systems become increasingly embedded in critical sectors of society, the demand for trustworthy, transparent, and independent oversight grows more urgent. While challenges remain in standardizing best practices for AI audits, the momentum behind third-party evaluation, driven by industry leaders, policymakers, and civil society, reflects a shared understanding that accountability must evolve alongside innovation. It will thus become important to foster a robust auditing ecosystems that ensures meaningful access for evaluators, and can begin to close the gap between principle and practice, building AI systems that not only perform well, but do so with integrity and public trust.

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.

Arguments in Support

According to Anthropic:

> There is more work to be done to ensure AI developers are required to put safe guardrails in place that are evaluated by independent third party experts. We stand ready to collaborate with policymakers to get this right. We strongly support California taking this simple but important step to designate AI auditors and thereby help to create an ecosystem of qualified organizations to perform AI audits that assess compliance with state law.

Arguments in Opposition

According to the Business Software Alliance:

> AI encompasses a wide range of systems, business models, and use cases. Different accountability mechanisms are appropriate for different risks, and there is no reason to assume that an independent third-party audit is the right mechanism in every circumstance. Creating a general-purpose auditor framework now risks predetermining the regulator solution before the Legislature has identified the problem it is intended to solve.

FISCAL COMMENTS

According to the Senate Appropriations Committee analysis:

> Government Operations Agency (GovOps) reports a significant fiscal impact (General Fund, AI Auditors Enrollment Fund) ranging from $5 million to $10 million annually.

VOTES:

ASM PRIVACY AND CONSUMER PROTECTION: 11-1-3
YES: Bauer-Kahan, Berman, Bryan, Irwin, Lowenthal, McKinnor, Ortega, Pellerin, Petrie-Norris, Ward, Wilson
NO: DeMaio
ABS, ABST OR NV: Dixon, Macedo, Patterson

ASM APPROPRIATIONS: 11-0-4
YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache
ABS, ABST OR NV: Sanchez, Dixon, Ta, Tangipa

ASSEMBLY FLOOR: 62-4-13
YES: 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
NO: DeMaio, Ellis, Gallagher, Sanchez
ABS, ABST OR NV: Castillo, Chen, Davies, Dixon, Flora, Jeff Gonzalez, Hadwick, Hoover, Lackey, Macedo, Patterson, Ta, Tangipa

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CONSULTANT: Josh Tosney / P. & C.P. / (916) 319-2200 FN: 0004525