
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Benjamin Allen, Chair
2025 - 2026 Regular**

Bill No:	AB 353	Hearing Date:	6/30/2026
Author:	Boerner		
Version:	6/23/2026 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Nidia Bautista		

SUBJECT: Public Utilities Commission: Independent Office of Audits and Investigations

DIGEST: This bill transfers the existing internal audit functions at the California Public Utilities Commission (CPUC) to the Independent Office of Audits and Investigations (IOAI), as created by this bill, and names the head of the office, the Inspector General, who would be appointed by the Governor, and confirmed by the Senate, for a six-year term.

ANALYSIS:

Existing law:

- 1) Establishes and vests the CPUC with regulatory authority over public utilities. (Article XII of the California Constitution)
- 2) Requires the CPUC to regulate public utilities and to establish just and reasonable rates for service, and establishes a division of the CPUC responsible for consumer protection and safety. (Public Utilities Code §451 and §309.7)
- 3) Requires the CPUC to appoint a chief internal auditor to hold office at the pleasure of the CPUC. (Public Utilities Code §307.6 (a))
- 4) Requires the chief internal auditor to be responsible for the oversight of the internal audit unit and to plan, initiate, and perform audits of key financial, management, operational, and information technology functions within the CPUC to improve accountability and transparency to executive and state management. (Public Utilities Code §307.6 (b))
- 5) Establishes the State Auditor's Office under the direction of the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy independent of the executive branch and legislative control. Provides the State Auditor's Office with duties to examine and report annually upon the

financial statements prepared by the executive branch of the state and to perform other related assignments, including performance audits mandated by statute. (Government Code §8543 *et seq.*)

- 6) Establishes requirements for internal auditors in state government, including a framework to establish a level of independence for the internal auditors and a reporting structure that allows for disclosure to external parties, such as the Governor's office or the State Auditor. (Government Code §13885 *et seq.*)

This bill:

- 1) Repeals, as of January 1, 2028, the provision providing for the CPUC commissioners to appoint the chief internal auditor.
- 2) Requires, effective January 1, 2028, the internal audit unit of the CPUC and its staff are transferred to the IOAI, which this bill establishes within the CPUC, to ensure:
 - a) The CPUC is administering funds under its control, including ratepayer funds efficiently and in compliance with applicable state and federal requirements.
 - b) The CPUC's programs are functioning consistent with applicable accounting standards and practices and are administered effectively.
 - c) The CPUC is accomplishing mandated requirements, developing an annual audit plan, administering an effective enterprise risk management program, and is making efficient, effective, and financially responsible decisions.
 - d) The President of the CPUC, the Legislature, and the Governor are fully informed concerning fraud, improper activities, and other serious abuses related to the expenditure of ratepayer funds or the administration of CPUC programs and operations.
 - e) The CPUC is monitoring for compliance for reports prepared by the CPUC that are required to be submitted to the Governor and Legislature.
- 3) Provides for the appointment of the director of the IOAI by the Governor, subject to confirmation by the Senate, who would have the title of Inspector General, and serve a six-year term.
- 4) Requires that the IOAI have access and authority to examine all records, files, documents, accounts, reports, correspondence, or other property of the CPUC, public utilities, and other entities regulated by the CPUC, including entering any public office or institution in this state, during regular business hours.

- 5) Requires the Inspector General to report to the Governor and the Legislature on all audits and confidential investigation findings and recommendations made under the Inspector General's jurisdiction.
- 6) Requires the Inspector General to report at least annually, and upon request, to the Governor and the Legislature with a summary of the Inspector General's investigation and audit findings and recommendations. Requires the summary to be posted on the IOAI's website and made publicly available.

Background

Office of Internal Audit Services (IAS) at the CPUC. The IAS is intended to provide independent, objective and advisory services designed to add value and improve the CPUC's internal operations. The Chief Internal Auditor reports to the CPUC Commissioners, through the CPUC's Audit Committee, and under the general direction of the President. The Chief Internal Auditor position was codified by statute pursuant to SB 19 (Hill, Chapter 421, Statutes of 2017) which required the Chief Internal Auditor to be responsible for oversight of the internal audit unit and to plan, initiate, and perform audits of key financial, management, operational, and information technology functions within the CPUC to improve accountability to executive and state management. According to the CPUC website, the IAS provides the following services: assurance (financial, operational, compliance, and IT risk-based audits), advisory (advise management on change initiatives, control effectiveness, enhancements to risk management, including special management reviews and investigations of alleged noncompliance); and anticipating and assessing risks (assist business owners in understanding risks and in crafting preventive mitigating controls); as well as, developing the internal audit plan for the CPUC. The IAS Office is composed of six employees (out of over 1,000 employees in total at the agency). According to the CPUC, the IAS Office completed nearly 30 audits of CPUC operations over a five-year timeframe. The Internal Auditor also receives notice of whistleblower complaints submitted to the CPUC's internal compliance unit and is informed of the investigation results and management's handling of corrective actions. Internal audit reports are intended for the internal use of the CPUC, and therefore are not posted publicly; however, they are public records and not exempt from disclosure.

About Inspector Generals. California state government has a few Inspector Generals (for the High-speed Rail Authority, the California Highway Patrol, and a handful of others). However, Inspector Generals are a more common position and function in the federal government. Under the Inspector General Act of 1978, the role of federal Inspector Generals is "to prevent and detect waste, fraud, and abuse relating to their agency's programs and operations, and to promote economy,

efficiency, and effectiveness in the agency's operations and programs." Federal Inspector Generals are located within their agencies but conduct their audits and investigations independently from their agencies. Roughly half of the federal Inspector Generals are appointed by the President of the United States, subject to U.S. Senate confirmation, and approximately half are appointed by the agency head.

Comments

What's in a name? In addition to transferring the operations of the internal audit unit of the CPUC to the IOAI, this bill replaces the head of the unit with an Inspector General appointed by the Governor, confirmed by the Senate, to serve a six-year term. The Inspector General's role as envisioned in this bill is akin to those in federal government, including the appointment, independence, and powers to investigate and audit the agency.

Revisiting the internal audit functions at the CPUC. SB 19 (Hill, 2017) required the CPUC to appoint a chief internal auditor who holds the office at the pleasure of the CPUC and be responsible for the oversight of the internal audit unit and plan. At the time, the administration argued that such appointment authority will help ensure that the CPUC commissioners can better manage the workload and operations of the CPUC. While those benefits were noted, there was also concern that the appointment by the commissioners could result in less independence of the Chief Internal Auditor. Given that the current Internal Audit Unit's audits are not public, it's difficult to know whether there is a need to revamp the unit and replace the head with the Inspector General envisioned by this bill. The author argues that a more transparent oversight process to the internal operations of the CPUC is needed to better inform the public and the Legislature about areas of improvement. While the CPUC is statutorily required to have an internal auditor that exercises some independence, their office reports to the Commissioners themselves and those internal reports are not regularly made public. The author contends that growing frustration in recent years with the CPUC's operations makes it clear more oversight and accountability is needed. The author's office cites concerns with a Federal Communications Commission (FCC) Inspector General audit that found that deceased Lifeline phone subscribers (federal subsidy program for income-eligible households) were enrolled by providers in California and found evidence that Lifeline subscribers were enrolled in multiple states concurrently. In February, the author met with the FCC Inspector General and learned the fraud was committed by three providers in California. The author contends the CPUC hasn't published any follow-up audits or investigations to refute the FCC's report or identify the three providers.

Is the proposed broad access to other public offices necessary? This bill requires the new office to have access to all public offices or institutions in the state during regular business hours, and access, examine, and reproduce all records, files, documents, accounts, reports, vouchers, files and all other records for any audit or investigation. The author's office contends that such broad authority is consistent with CalTrans Inspector General powers, under Government Code §14461 and important to the proposed Inspector General at the CPUC in order to avoid delays from public records act requests.

Prior/Related Legislation

ACA 9 (Boerner, 2026) places a ballot measure before voters to modify the CPUC's constitutional composition and authority to do the following: 1) expands the membership of the CPUC from five to nine commissioners to include two commissioners appointed by the Speaker of the Assembly and two commissioners appointed by the Senate Rules Committee; 2) deletes telephone and telegraph service from the constitutional definition of a utility service; 3) specifies that the Legislature may set the CPUC's duties related to telecommunications services, including assigning those duties to another state agency; and 4) requires the CPUC to consider affordability when setting rates. The bill was held by the author in this committee.

AB 705 (Boerner, 2025) this bill contained nearly identical language to the bill. The bill was held by the Senate Appropriations Committee.

SB 19 (Hill, Chapter 421, Statutes of 2017) among its provisions, established a Chief Internal Auditor at the CPUC responsible for the oversight of the internal audit unit.

AB 825 (Rendon, 2015) would have proposed a package of reforms of the CPUC largely directed at increased transparency of the activities of the agency, including requiring the California State Auditor's Office to appoint an Inspector General within its office for the CPUC. The bill was vetoed.

SB 1452 (Speier, Chapter 452, Statutes of 2006) established a process for the Legislature to be informed when auditor recommendations are being ignored or not implemented by state agencies.

AB 2903 (Gatto, 2016) would have provided a suite of reforms of the operations of the CPUC, including clarifying the responsibilities and oversight of various positions; improvements to ethics practices; reports related to telecommunications services and CPUC staffing; stating the intent of the

Legislature to transfer most non-rail, for-hire transportation services to the State Transportation Agency; and others. The bill was never heard in its amended form.

ACA 11 (Gatto, 2016) would have proposed a measure on the ballot to authorize the Legislature to reallocate or reassign all or a portion of the functions of the CPUC to other state agencies, departments, boards, or other entities, consistent with specified purposes and proposed to repeal the provisions of the California Constitution pertaining to the CPUC effective January 1, 2019. The bill sat in this committee and was never heard.

AB 825 (Rendon, 2015) would have proposed a suite of reforms of the CPUC largely directed at increased transparency of the activities of the agency, including requiring the California State Auditor's Office to appoint an Inspector General within its office for the CPUC, expanding the roles and responsibilities of the CPUC public advisor, specifying additional requirements of commissioners, and increased transparency of electric utilities' procurement, among others. The bill was vetoed.

SB 48 (Hill, 2015) would have proposed a suite of reforms of the governance and operations of the CPUC, including, among others, requiring sessions in Sacramento, applying the Code of Ethics from the Administrative Procedures Act to administrative law judge, clarifying and augmenting the information the CPUC must provide the Legislature in its annual report, and others. The bill was vetoed.

SB 215 (Leno-Hueso, Chapter 807, Statutes of 2016) proposed a suite of reforms of the rules, operations and procedures of the CPUC pertaining to the laws and rules related to ex parte communications and criteria and process for disqualification of commissioners to a proceeding.

SB 512 (Hill, Chapter 808, Statutes of 2016) proposed a suite of reforms of the operations and governance of the CPUC, including allowing intervenor compensation for certain local governments, requiring specified information is available to the public, requiring specified reporting of the CPUC regarding the timeliness of proceedings, applying the Code of Ethics from the Administrative Procedures Act to administrative law judges, and others.

SB 660 (Leno-Hueso, 2015) would have proposed a suite of reforms of the governance, rules, operations and procedures of the CPUC, including: reform of laws and rules related to ex parte communications, criteria and

process for disqualification of CPUCs to a proceeding, and authorizes the CPUC to appoint the chief administrative law judge. The bill was vetoed.

SB 1017 (Hill, 2016) would have modified statutes that limit public access to utility supplied documents at the CPUC, including specifying an action arising from the California Public Records Act may be brought before the Superior Court instead of the Supreme Court. The bill died on the Assembly Floor.

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

SUPPORT:

None received

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the author:

Although the California Public Utilities Commission is an independent agency of state government, its internal operations should be transparent to the public and subject to regular independent review by an outside entity to ensure efficient operations, economic administration of ratepayer funds, and compliance with state law. As utility costs continue to rise, regulatory decisions are continuously delayed, grant funds are held back for years, and Commissioners decline to participate in legislative oversight hearings it is clear that more accountability is needed on the agency operations. By establishing an independent Inspector General at the CPUC, the public and the Legislature will be better informed about the agency's internal operations.

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