



STATE OF CALIFORNIA  
FAIR POLITICAL PRACTICES COMMISSION  
1102 Q Street • Suite 3000 • Sacramento, CA 95811  
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## TITLE 2. FAIR POLITICAL PRACTICES COMMISSION

NOTICE IS HEREBY GIVEN that the Fair Political Practices Commission (“Commission”), under the authority vested by the Political Reform Act (“Act”)<sup>1</sup> by Section 83112 of the Government Code proposes to adopt, amend, or repeal regulations in Title 2, Division 6 of the California Code of Regulations. The Commission will consider the proposed regulation at a public hearing on or after **March 21, 2019** at the offices of the Fair Political Practices Commission, 1102 Q Street, Suite 3000, Sacramento, California, commencing at approximately **10:00 a.m.** Written comments should be received at the Commission offices no later than **5:00 p.m.** on **March 19, 2019**.

### BACKGROUND:

The Franchise Tax Board performs audits mandated by Section 90001. Commission staff performs mandatory audits pursuant to Section 90006 for specified audits due to potential conflicts of interest with the Franchise Tax Board. The Act also authorizes Commission staff and the Franchise Tax Board to perform discretionary audits and investigations pursuant to Sections 90003 and 90008.

As required by Section 90007, the guidelines, standards, and scope for audits conducted by the Franchise Tax Board are enumerated in Regulations 18994-18996. However, the auditing regulations are currently devoid of explicit guidelines, standards, and scope for audits and investigations by Commission staff. Proposed Regulation 18998 is intended to remedy the omission.

Subsection (a) of Regulation 18998 addresses mandatory auditing by the Commission under Section 90006. Commission staff always applied the same standards, guidelines, and scope for conducting audits under Section 90006 as the Franchise Tax Board under Section 90001. However, subsection (a) of proposed Regulation 18998 codifies Commission staff’s long-standing practice. Subdivision (b) enumerates the standards and scope for discretionary audits and investigations conducted pursuant to Sections 90003 and 90008.

The Franchise Tax Board generally performs audits pursuant to Section 90001. Regulation 18994 concerns audits and investigations conducted by the Franchise Tax Board. The proposed amendment to the regulation does not change the standards, guidelines, and scope for conducting audits by the Franchise Tax Board. The proposed amendment is merely intended to correct a typographical error.

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<sup>1</sup> The Political Reform Act is contained in Government Code sections 81000 through 91014. All further statutory references are to the Government Code. The regulations of the Fair Political Practices Commission are contained in sections 18110 through 18997 of Title 2 of the California Code of Regulations.

REGULATORY ACTION:

Adopt 2 Cal. Code Regs. Section 18998 and Amend 2 Cal Code Regs. Section 18994.

Proposed Regulation 18998 is intended to codify Commission staff's auditing practice under Section 90006 to mirror the Franchise Tax Board's auditing standards, guidelines, and scope in conducting audits under Section 90001. It is also intended to codify the standards and scope of audits and investigations conducted by Commission staff pursuant to Sections 90003 and 90008. Proposed amendment to Regulation 18994 is intended to correct a typographical error.

SCOPE:

The Commission may adopt the language noticed herein or it may choose new language to implement its decisions concerning the issues identified above or related issues.

FISCAL IMPACT STATEMENT:

Fiscal Impact on Local Government. This regulation will have no fiscal impact on any local entity or program.

Fiscal Impact on State Government. This regulation will have no fiscal impact on any state entity or program.

Fiscal Impact on Federal Funding of State Programs. This regulation will have no fiscal impact on the federal funding of any state program or entity.

AUTHORITY:

Government Code Section 83112 provides that the Fair Political Practices Commission may adopt, amend, and rescind rules and regulations to carry out the purposes and provisions of the Political Reform Act.

REFERENCE:

Section 90000 et seq., Government Code

CONTACT:

Any inquiries should be made to Ryan O'Connor, Fair Political Practices Commission, 1102 Q St., Suite 3000, Sacramento, CA 95811; telephone (916) 322-5660 or 1-866-ASK-FPPC. Proposed regulatory language can be accessed at <http://www.fppc.ca.gov/the-law/fppc-regulations/proposed-regulations-and-notices.html>.