

## **Final Statement of Reasons 2011-12 Audit Guide**

### **SECTIONS 19815, 19816, 19816.1, 19817.1, 19817.2, 19817.5, 19840, 19846, and 19846.1.**

The Initial Statement of Reasons is included in the file. The information contained therein is supplemented as set forth below.

At the April 11, 2011, meeting of the Education Audit Appeals Panel (EAAP), the Panel considered regulations to update the audit guide for K-12 local education agency (LEA) audits for the 2011-12 fiscal year. The Panel adopted emergency regulations and authorized staff to begin the regular rulemaking process for the eventual adoption of the same text as permanent regulations. The emergency regulations took effect on filing with the Secretary of State on May 2, 2011.

The Notice of Proposed Rulemaking for the permanent regulations was published in the California Notice Register on April 29, 2010. No public hearing was held. Only one written comment was received, and it was not related to the proposed regulations.

At the June 27, 2011, EAAP meeting, the Panel adopted final audit guide regulations for fiscal year 2011-12.

### **Title 5, Division 1.5 Chapter 3. Audits of California K - 12 Local Education Agencies Article 2 Audit Reports**

#### **§ 19815. Report Components.**

The explanation of changes to this section is revised to state that the change to the report title, in new subparagraph (e)(4), is made on the recommendation of the Controller<sup>1</sup> consistent with guidance provided by the AICPA<sup>2</sup> which reflects the requirements of SAS 117 of the *AICPA Codification of Statements on Auditing Standards*.<sup>3</sup>

#### **Technical, Theoretical, or Empirical Studies, Reports, or Documents**

The Initial Statement of Reasons is changed to delete the statement that EAAP relied on “*Government Auditing Standards* published by the Comptroller General of the United States, and the *AICPA Audit Guide: Government Auditing Standards and Circular A-133 Audits* (May 1, 2010)” in preparing the proposed regulations. The amendments made to Section 19816, subparagraphs (f), (g), and (h), are made because of changes in the *AICPA Codification of Statements on Auditing Standards*, specifically to SAS 115 and SAS 117.

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<sup>1</sup> Pursuant to provisions of the Education Code, § 14502.1(a): “... The Controller, in consultation with the Department of Finance, the State Department of Education, and representatives of [certain organizations], shall recommend the statements and other information to be included in the audit reports filed with the state, and shall propose the content of an audit guide to carry out the purposes of this chapter. ...,” and § 41020(d) “All audit reports for each fiscal year shall be developed and reported using a format established by the Controller after consultation with the Superintendent and the Director of Finance.”

<sup>2</sup> *AICPA Audit Guide: Government Auditing Standards and Circular A-133 Audits* (May 1, 2010).

<sup>3</sup> The *AICPA Codification of Statements on Auditing Standards* was incorporated by reference when the audit guide was adopted for the first time pursuant to the rulemaking procedures of the Administrative Procedure Act for the 2003-04 audit year (OAL File # 04-0506-02 C).

**Alternatives Determination**

The Education Audit Appeals Panel has determined that no alternative would be more effective in carrying out the purpose for which these regulations are proposed or would be as effective and less burdensome than the proposed regulations.

**Local Mandate Determination**

The proposed regulations do not impose any mandate on local agencies or school districts.

**Comments Received During the Public Notice Period:  
April 29, 2011, to June 13, 2011**

The only written comment received did not address the proposed regulations, but commented on Partnership Schools or Public School Choice, charter schools, truancies, Youth Opportunity Schools, and Workforce and job opportunity funding.