

Amended Final Statement of Reasons

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

At its April 24, 2006, meeting, the Education Audit Appeals Panel (EAAP) considered regulations to modify the audit guide for K-12 local education agency (LEA) audits for the 2006-07 fiscal year. The Panel authorized staff to begin the regular rulemaking process for the eventual adoption of permanent regulations. The Notice of Proposed Rulemaking for the permanent regulations was published in the California Notice Register on May 5, 2006.

At its meeting on May 22, 2006, the Panel adopted emergency regulations, which were filed with the Office of Administrative Law (OAL) on June 5, 2006, and became operative June 12, 2006. The emergency regulations were identical to the permanent regulations approved the month before but for changes to Section 19833.6, and the renumbering of sections 19813, 19814, and 19814.1 to 19815, 19816, and 19816.1, respectively, to conform with the reorganization of the audit guide regulations that had taken effect June 9, 2006 (see File Number 06-0427-01 C).

The public hearing on the proposed permanent regulations was held June 19, 2006; no testimony was given. One written comment was received on the last day of the 45-day comment period.

At its June 27, 2006, meeting, the Panel approved revisions to the permanent regulations, in response to the comment received, to conform the proposed permanent regulations to the later-adopted emergency regulations. The Notice of Modifications to Text of Proposed Regulations and the modified text were then made available to the public from June 29, 2006, through the close of business on July 13, 2006. No comments were received during the 15-day comment period.

The Panel adopted final 2006-07 audit guide regulations at its meeting on July 28, 2006. Subsequently, an inadvertent omission was identified in the regulations and a Second 15-Day Notice of Modifications to Text of Proposed Regulations and modified text were made available to the public from August 31, 2006, through the close of business on September 14, 2006. In this Notice, the number of audit procedures for the Morgan-Hart Class Size Reduction Program was inserted in Section 19816(f)(4). A correction was made to punctuation in Section 19816(f)(2), where a period was changed to a semi-colon. No comments were received during the 15-day comment period. The Panel adopted the final regulations at its meeting on September 18, 2006.

There are no changes to the Initial Statement of Reasons for sections 19815 (formerly § 19813) Report Components, 19816.1 (formerly § 19814.1) Applicability of Audit Procedures by Audit Year, 19819 Independent Study, 19824 Instructional Time, 19828.1 Instructional Materials, 19831 Gann Limit Calculation, or 19833.5 Excess Sick Leave.

While no change was made to the originally-noticed text of Section 19831, Gann Limit Calculation, a change was inadvertently marked in the text of the regulations made available with the 15-Day Notice of Modifications to Text. In the introductory sentence, the words “current year” were marked with a single strikeout, as if the strikeout had been made in the original text. The 15-Day Notice called for comments only on additions marked with double underline or deletions marked with double strikeout. These words were not marked with double

strikeout, and no change was intended. The introductory sentence remains as it was in the originally-noticed text with this rulemaking and as adopted by the Panel in File Number 04-0506-02 C, operative June 23, 2004.

For the sections listed below, the Initial Statement of Reasons is updated as follows:

Article 2. Audit Reports.

§ 19816. Definitions. (formerly § 19814)

Subparagraph (4) of subdivision (f) was modified to reduce the number of audit procedures specified for Notice of Right to Elect California State Teachers Retirement System (CalSTRS) Membership from 5 to 1, to conform to the final version of the adopted regulation, Section 19833.6.

Article 3. State Compliance Procedures: Local Education Agencies Other Than Charter Schools

§ 19833.6. Notice of Right to Elect California State Teachers Retirement System (CalSTRS) Membership.

This section was modified to require only verification of the statutorily required notice to certain substitute and part-time employees of their right to elect membership in CalSTRS,

Technical, Theoretical, or Empirical Studies, Reports, or Documents.

EAAP did not rely on any technical, theoretical, or empirical studies, reports, or documents in proposing the adoption of these regulations.

Request That Regulations Become Effective Upon Filing

EAAP requests that the regulations in the current rulemaking file become effective upon filing. Education Code Section 14502.1 requires EAAP to adopt audit guide regulations pursuant to the rulemaking procedures of the Administrative Procedure Act by July 1 of the fiscal year to be audited. These regulations will replace the emergency audit guide regulations that became effective June 12, 2006. Together with the remainder of Chapter 3, Division 1.5, of Title 5 of the California Code of Regulations, these regulations constitute the audit guide for the audit of the current fiscal year.

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.

Response to Comments Received During the Public Notice Periods

Initial Notice Period: May 5, 2006, through June 19, 2006

No oral testimony was given at the public hearing on June 19, 2006. The one written comment received during the initial 45-day comment period was submitted by Richard L. Hamilton, Associate General Counsel for the California School Boards Association (CSBA) and Director of the Education Legal Alliance, on behalf of CSBA, the California Association of School Business Officials, the California County Superintendents Educational Services Association, and the California Society of Certified Public Accountants, as well as others representing local education agencies involved in audit issues on a statewide basis and participating in the Audit Clearinghouse Task Force.

§ 19833.6. Notice of Right to Elect California State Teachers Retirement System (CalSTRS) Membership:

Comment: Mr. Hamilton urged the Panel to modify the structure of the permanent regulations to conform to the emergency regulations, which in turn had been conformed to the reorganization approved with the adoption of the final 2005-06 audit guide regulations. Mr. Hamilton further asked that new Section 19833.6 be modified to match the section as approved in the emergency regulations, thereby reducing the number of audit steps.

EAAP Response: EAAP agrees and the changes have been made.

15-Day Notice Period: June 29, 2006 through July 13, 2006

EAAP received no comments during the 15-Day Notice Period.

Second 15-Day Notice Period: August 31, 2006 through September 14, 2006

EAAP received no comments during the 15-Day Notice Period.