

## **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 January 24, 2005, meeting, the Education Audit Appeals Panel (EAAP) considered regulations to supplement the audit guide for K-12 local education agency (LEA) audits for the 2004-05 fiscal year. The Panel adopted emergency regulations and authorized staff to begin the regular rulemaking process for the eventual adoption of permanent regulations.

The Notice of Proposed Rulemaking for the permanent supplemental regulations was published in the California Notice Register on February 11, 2005. The public hearing on the proposed permanent supplemental regulations was held March 28, 2005; no testimony was given and no written comments were received during the 45-day comment period.

At the April 25, 2005, EAAP meeting, staff recommended certain changes for clarity and consistent use of terminology and others in response to notification received from the State Controller's Office of a change in the title and content of a standard report cited in the Audit Guide. The Panel approved the proposed revisions, and Notice of Modifications to Text of Proposed Regulations and the modified text were then made available to the public from April 26, 2005, through the close of business on May 11, 2005. No comments were received during the comment period.

At its May 23, 2005, meeting, the Panel adopted final supplemental audit guide regulations for fiscal year 2004-05, including a clarifying, non-substantive change in Section 19814.1(b).

There are no changes to the Initial Statement of Reasons for Sections § 19817, 19817.1, 19826, 19826.1, 19828, 19828.1, and 19837.

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

### **Article 2. Audit Reports.**

#### **§ 19813. Report Components.**

This section specifies the format of the LEA audits. The State Controller has authority to specify the format of these audit reports (Education Code Section 41020(d)) and notified EAAP of a change in the title (and content) of the report specified in subdivision (e)(1) of this section that must apply to audits of the 2004-05 fiscal year.<sup>1</sup> The change in Section 19813 is in the title of the report only.

#### **§ 19814. Definitions.**

Subdivision (d) of this section was amended to reflect the change in title and content of the report specified in Section 19813(e)(1).

---

<sup>1</sup> This amendment to Section 19813 and the corresponding change in Section 19814 were also made in the emergency audit guide regulations for fiscal year 2005-06 (file number 05-0426-06 E), which were effective May 6, 2005. The 45-day comment period for the permanent 2005-06 audit guide regulations (file number Z-05-0426-14) will end June 20, 2005.

Subdivision (e) was amended by inserting the phrase “including in charter schools” following Class Size Reduction in the listing of audit procedures for each fiscal year. This change is clarifying only; no change is made in the audit procedures for Class Size Reduction (see Section 19826 and Section 19826.1).

**§ 19814.1. Applicability of Audit Procedures by Audit Year.**

This section specifies which sections of the audit guide are applicable to each fiscal year. Subdivisions (a) and (b) were modified for consistent use of terminology to refer to “fiscal year audits” rather than “audits of school fiscal year.” Subdivision (b) was further modified in the adoption of the final regulations at the Panel’s May 23, 2005, meeting, to clarify the list of regulation sections that apply to fiscal year 2004-05 audits, omitting the sections that, by their terms, apply only to fiscal year 2003-04 audits (i.e., sections 19817, 19826, 19828).

**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 supplemental audit guide regulations pursuant to the rulemaking procedures of the Administrative Procedure Act by March 1 of the fiscal year to be audited. These regulations will replace the emergency supplemental audit guide regulations that became effective February 10, 2005. 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.