

Initial Statement of Reasons

SECTIONS 19816, 19816.1, 19828.1, 19828.2, 19829.5, 19830, 19830.1, 19837, 19837.1, 19838, 19846, and 19854.

Specific Purpose of the Regulations.

The purpose of these regulations is to provide definitions of terms and specification of procedures to guide accountants in the conduct of statutorily required financial and compliance audits of local education agencies. The Controller proposed inclusion in the audit guide, beginning with fiscal year 2007-08, of audit procedures related to classroom teacher salaries, the Mathematics and Reading Professional Development Program, and the After School Education and Safety Program, as well as more specificity with regard to the schedule of Average Daily Attendance reported by charter schools and deletion of the procedures related to alternative pension plans. Other sections have been added or amended to incorporate changes made by new legislation or to delete references to repealed statutes. Conforming changes have been made in sections 19816 and 19816.1.

Necessity/Rationale

These regulations are necessary to implement Education Code sections 8482.3, 14501, 14502.1, 14503, 41020, 41372, 47634.2, and 99237.

Title 5, Division 1.5

Chapter 3. Audits of California K - 12 Local Education Agencies

Article 2 Audit Reports

§ 19816. Definitions.

Subdivision (f), subparagraphs (1) through (4) are amended to omit the word “program,” for consistency with the title of Section 19830. A new subparagraph (5) is added to specify the numbers of audit procedures proposed for inclusion in the audit guide for fiscal year 2007-08.

Subdivision (h), Schedule of Average Daily Attendance, is amended to specify that charter school audit reports shall also display total Average Daily Attendance (ADA) and ADA that is generated through classroom-based instruction. This information will aid the Controller in determining whether or not the auditors performed the correct audit steps: If the charter school reported ADA generated through classroom-based instruction, the auditor must perform the procedures in Section 19851; if the charter school reported less than 80 percent of its ADA as having been generated through classroom-based instruction, the auditor must also perform the procedures in Section 19853.

Subdivision (l), Schedule of Findings and Questioned Costs, is amended to add a category number for findings made under the new audit procedure for Classroom Teacher Salaries (proposed Section 19829.5), to clarify that, under the provisions of Education Code Section 41372, county superintendents of schools are to resolve any findings. See Education Code Section 41020(n) regarding the categorization of audit findings.

Subdivision (m), Schedule of Instructional Time, is amended to delete a cross reference that was deleted from statute. Education Code Section 47612.5(a)(1) formerly referenced the minimum number of minutes of instruction by grade levels as set forth in Education Code Section 46201(a)(3); Section 47612.5(a)(1) now specifies directly the minimum annual number of minutes of instruction that must be offered by grade levels. (Statutes of 2005, Chapter 543 (AB 1610), § 5.)

§ 19816.1. Applicability of Audit Procedures by Audit Year.

This section specifies which sections of the audit guide are applicable to each audit year. The sections that are applicable to audits of fiscal year 2007-08 are listed in new subdivision (a)(5) for Article 3, new subdivision (b)(5) for Article 3.1, and new subdivision (c)(3) for Article 4.

Section 19833, Alternative Pension Plans, is omitted from Section 19816.1(a)(5), at the request of the Controller.

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

§ 19828.1. Instructional Materials

This section has been amended to modify the introductory sentence to indicate the section's applicability to fiscal years 2004-05, 2005-06, and 2006-07. Section 19828.1(b) and (d) are amended for style consistency in the audit guide: "State Board of Education" is capitalized, and the reference to "subdivision (b) of this section" is changed to "subparagraph."

§ 19828.2. Instructional Materials.

This successor section will apply to audits of fiscal year 2007-08 and each fiscal year thereafter. The words "in the resolution" are added to subdivision (b)(5) for fiscal year 2007-08 and following. This requirement was added to Education Code Section 60119(a)2)(A), effective January 1, 2007 (Statutes of 2006, Chapter 704 (AB 607), § 8).

§ 19829.5. Classroom Teacher Salaries.

This new section directs the auditor to check for compliance with the requirements of Education Code Section 41372, regarding minimum expenditures for classroom teacher salaries as a percentage of the district's current expense of education.

§ 19830. Early Retirement Incentive

This section has been amended to add an introductory sentence to indicate its applicability to fiscal years 2003-04 and 2004-05.

§ 19830.1. Early Retirement Incentive.

This successor section will apply to audits of fiscal year 2005-06 and each fiscal year thereafter. Education Code Section 14502.1 specifically directs the Controller to include the early retirement incentive program in the annual audit guide. Section 14502.1(c)(2) references Education Code Section 22714.5, which was repealed by its own terms effective January 1, 2005 (Statutes of 2004, Chapter 935 (AB 1852), § 2). The 'dead' cross reference is deleted.

§ 19837. School Accountability Report Card

This section has been amended to add an introductory sentence to indicate the section's applicability to fiscal years 2004-05, 2005-06, and 2006-07.

§ 19837.1. School Accountability Report Card.

This successor section will apply to audits of fiscal year 2007-08 and each fiscal year thereafter. Subdivision (b) is amended consistent with the provisions of Education Code Section 17002(d), as amended effective January 1, 2007 (Statutes of 2006, Chapter 704 (AB 607), § 4).

Subdivision (c) is amended to change the cross references made to Section 19828.1 to the successor regulation, Section 19828.2.

§ 19838. Mathematics and Reading Professional Development.

This new section directs the auditor to check for compliance with the requirements of Education Code Section 99237 (as amended by Statutes of 2006, Chapter 524 (SB 472), § 6) regarding the Mathematics and Reading Professional Development Program. The audit procedures address the requirements of Education Code Section 99237, subdivision (a)(3) (proposed Section 19838(a)), subdivision (c) (proposed Section 19838(b)), and subdivision (d) (proposed Section 19838(c)).

Article 3.1. State Compliance Requirements: School Districts and Charter Schools.

§ 19846. After School Education and Safety Program.

This new section directs the auditor to check for compliance with the requirements of the After School Education and Safety Program (Ed. Code § 8482 et seq., as most recently amended). Charter schools are included in the definition of local education agencies as eligible applicants for this program (Ed. Code § 8482.3(e)(1)). All applicants are required to agree to follow all fiscal reporting and auditing standards required by the California Department of Education (Ed. Code § 8482.3(e)(5)).

Section 19846(a) addresses requirements of the after school component: early release policy, days and hours of operation (Ed. Code § 8483(a)(1)), proportion of full time attendance (Ed. Code § 8483(a)(2)), and reported numbers of students served (Ed. Code § 8483.7(a)(1)(A)).

Section 19846(b) addresses requirements of the before school component: late daily arrival policy, days and hours of operation (Ed. Code § 8483.1(a)(1)), minimum attendance time in a day (Ed. Code § 8483.1(a)(2)(B)), proportion of full time attendance (Ed. Code § 8483.1(a)(2)), and reported numbers of students served (Ed. Code § 8483.7(a)(1)(A)).

Section 19846(c) addresses general requirements applicable whether the local education agency operates either or both program components: local matching funds requirements (Ed. Code §§ 8483.7(a)(5) and 8483.75(a)(4)), limitations on expenditures for indirect costs and administrative costs, and minimum allocation of funds to schoolsites (Ed. Code § 8483.9(a), (b), (c)).

Article 4. State Compliance Procedures: Charter Schools

§ 19854. Annual Instructional Minutes – Classroom Based.

Section 19854(a) is amended to delete a cross reference that was deleted from statute. Education Code Section 47612.5(a)(1) formerly referenced the minimum number of minutes of instruction by grade levels as set forth in Education Code Section 46201(a)(3); Section 47612.5(a)(1) now specifies directly the minimum annual number of minutes of instruction that must be offered by grade levels. (Statutes of 2005, Chapter 543 (AB 1610), § 5.)

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.

Reasonable Alternatives to the Regulations and the Agency’s Reasons for Rejecting Those Alternatives.

No other alternatives were presented to or considered by EAAP.

Reasonable Alternatives to the Regulatory Action that Would Lessen Any Adverse Impact on Any Business.

These regulations are applicable only to certified public accountants and public accountants who audit LEAs, and indirectly to the LEAs themselves. As no adverse impact on small business has been identified, there is no need to examine reasonable alternatives.

Evidence Supporting Finding of No Significant Adverse Economic Impact on Any Business.

EAAP has determined that adoption of the proposed regulations would not have a significant impact on any business in the State of California. The regulations direct accountants to conduct the steps required for audit of state-funded education programs and Education Code Section 14503 requires the use this audit guide in the performance of audits of LEAs, and provides that, if auditors do not follow the prescribed procedures, they are to state in their audit reports what other procedures were followed.