

## **Finding of Emergency**

The Education Audit Appeals Panel (EAAP) has statutory authority to use the emergency regulations process to meet the deadlines specified for the adoption of an annual audit guide by July 1 of the fiscal year to be audited and any supplement, as authorized, before March 1 of the audit year. (Educ. Code § 14502.1(b).)

### **Specific Facts Showing the Need for Immediate Action**

Education Code Section (Section) 41020 requires the governing board of every local education agency (LEA) that serves kindergarten or any of grades 1 through 12 (K-12) to provide for an annual audit of the agency's books and accounts. Section 41020 further requires that the audit be developed and reported using a format established by the Controller after consultation with the Superintendent of Public Instruction and Director of Finance. Section 14502.1 requires the Controller, in consultation with the Department of Finance and the State Department of Education as well as representatives of specified organizations, to propose the content of an audit guide to promote accountability for public educational funds. After review and possible amendment, EAAP is then to adopt the audit guide pursuant to the rulemaking procedures of the Administrative Procedure Act (APA) by July 1 of the fiscal year to be audited. EAAP is also authorized to adopt, before March 1 of the audit year, a supplemental audit guide to address legislative changes in the conditions of apportionment of school funding.

The Controller's Office letter of December 8, 2014, proposed changes to the 2014-15 Audit Guide arising from several meetings of stakeholders pursuant to Section 14502.1(a). To meet the statutory timelines and ensure the accuracy of the audit guide, Section 14502.1 authorizes use of the emergency regulations procedures of the APA to adopt the guide as regulations. Meeting the timelines in Section 14502.1 through use of the emergency regulations procedures affords notice to K-12 LEAs at the beginning of the fiscal year of areas of their operations that will be subjected to particular audit scrutiny. Further, meeting the timelines enables accounting firms to provide training to their field auditors prior to the commencement of auditing.

### **Authority and Reference**

Authority cited: Section 14502.1, Education Code.

Reference: sections 14502.1, 14503, and 41020, Education Code.

### **Informative Digest**

This rulemaking adopts the supplemental Audit Guide for 2014-15, required by Section 14502.1, through incorporation by reference in a revised Section 19810. The purpose of the Audit Guide is to define terms and specify procedures to guide accountants in the conduct of statutorily required financial and compliance audits of K-12 local education agencies.

## **Title 5, Division 1.5**

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

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

#### **§ 19810. Annual Audit Guides.**

For each fiscal year beginning The "2014-15, the "Guide for Annual Audits for K-12 Local Education Agencies and State Compliance Reporting," (July 1, 2014), published by the Education Audit Appeals Panel, on or about July 1 of each fiscal year, is incorporated by reference. The guide

is superseded by a supplemental audit guide, if needed, published on or about March 1 of each fiscal year. The guide provides the audit steps, reporting requirements, and other guidance, for the required annual financial and compliance audits, subject to auditor judgment where alternative or additional audit steps may be appropriate. Each annual guide and any applicable supplement are available on [www.eaap.ca.gov/audit-guide](http://www.eaap.ca.gov/audit-guide), with paper or electronic copies available on request.

Note: Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503 and 41020, Education Code.

### **Audit Guide Amendments**

The proposed supplemental 2014-15 Audit Guide includes the following substantive changes:

- *Section D Independent Study* is revised to reflect current law which allows independent study agreements to extend to the full school year (Educ. Code § 51747(c)(5)), and removes the requirement that LEA's sign and date pupil work products when assessing the time value of work (Educ. Code § 51747.5(c)). Similar changes were also made to *Section AA Nonclassroom-Based Instruction/Independent Study (Charter Schools)*.
- *Section S California Clean Energy Jobs Act* is revised to add referencing websites for guidelines and total award available.
- *Section W Unduplicated Local Control Funding Formula Pupil Counts* was revised to add an audit step to ensure that certain schools followed data collection procedures specified in Section 42238.01. This section is also revised to add a reference to a website detailing Enrollment and Unduplicated Pupil counts.

### **Public Benefits**

EAAP does not anticipate that these proposed amendments would create specific benefits for the protection of public health and safety, worker safety, or the environment, the prevention of discrimination, the promotion of fairness or social equity, nor the increase in openness and transparency in business and government. These regulations make technical and conforming changes to preexisting K-12 audit guide regulations to ensure the annual Audit Guide's consistency and compatibility with new and preexisting state statutes and regulations, and to improve the quality and consistency of K-12 audits.

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

No technical, theoretical, or empirical studies, reports, or documents were relied on in proposing the adoption of these regulations.

### **Benefits of the Regulation to the Health and Welfare of California Residents**

EAAP does not anticipate that the proposed regulations will affect the health and welfare of California residents, worker safety, the environment, the prevention of discrimination, the promotion of fairness or social equity, and the increase in openness and transparency in business and government.

### **Mandate on Local Agencies or School Districts**

EAAP has determined that these regulations do not impose a mandate on LEAs. No reimbursement is required.

**Cost Estimate**

EAAP has also determined that the regulations will involve no costs or savings to any State agency, no nondiscretionary costs or savings to local agencies or school districts, no reimbursable costs or savings to local agencies or school districts under Section 17561 of the Government Code, and no costs or savings in federal funding to the State.

**Evaluation of Consistency/Compatibility with Existing Regulations**

EAAP Staff performed an evaluation and determined that the proposed regulation is not inconsistent or incompatible with existing state regulations. This evaluation was performed in compliance with Government Code section 11346.5(a)(3)(D).