

## **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 by March 1 of the audit year a supplement of that audit guide. (Education Code section 14502.1(b).)

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

Education Code section 41020 requires the governing board of every local educational agency (LEA) that serves transitional kindergarten through grade 12 (TK-12) to provide for an annual audit of the LEA books and accounts. Education Code section 41020(d) further requires that the audit be developed and reported using a format established by the State Controller after consultation with the Superintendent of Public Instruction and Director of Finance. Education Code section 14502.1(a) requires the State Controller, in consultation with the Department of Finance, the State Department of Education, and representatives of specified organizations, to propose the content of an audit guide to promote accountability for public education funds. After review and possible amendment, EAAP will 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.

The State Controller's Office letter dated February 9, 2026, proposed changes to the 2025-26 Audit Guide arising from meetings of stakeholders pursuant to Education Code section 14502.1(a). To meet the statutory timelines and ensure the accuracy of the audit guide, Education Code section 14502.1(b) authorizes use of the emergency regulations procedures of the APA to adopt the guide as regulations. Use of the emergency procedures ensures EAAP meets the March 1 deadline in Education Code section 14502.1(b) for supplemental audit guide changes. Meeting the timelines enables accounting firms to provide training to their field auditors prior to the commencement of auditing.

### **Documents Relied Upon in Preparing the Supplemental Guide**

The 2025-26 Audit Guide and the State Controller's Office letter dated February 9, 2026, which proposed language for the 2025-26 Supplemental Audit Guide (March 1, 2026) adopting modified versions of sections as compared to the 2025-26 Audit Guide effective July 1, 2025.

### **Authority and Reference**

Authority cited: Education Code section 14502.1.

Reference: Education Code sections 14502.1, 14503, 41020, and 41024.

### **Informative Digest**

This rulemaking adopts the 2025-26 Supplemental Audit Guide, as required by Education Code section 14502.1(b), through incorporation by reference in a revised California Code of Regulations, Title 5, section 19810. This supplemental rulemaking would adopt by incorporation and reference the document titled "2025-26 Guide for Annual Audits of K-12 Local Education

Agencies and State Compliance Reporting (March 1, 2026)” which supersedes the July 1, 2025, version. 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 TK-12 LEAs. Copies of the proposed audit guide, its previous version, and the final audit guides for previous years are available at the EAAP website, [www.eaap.ca.gov](http://www.eaap.ca.gov). A hard copy of the proposed text is available on request.

**Title 5, Division 1.5**  
**Chapter 3. Audits of California K - 12 Local Education Agencies**  
**Article 1 General Provisions**

**Section 19810. Annual Audit Guides.**

(a) (1) The "2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting," (March 1, 2024), adopted by the Education Audit Appeals Panel, is incorporated by reference for the required financial and compliance audits of the 2023-24 fiscal year.

(2) The "2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting," (March 1, 2025), adopted by the Education Audit Appeals Panel, is incorporated by reference for the required financial and compliance audits of the 2024-25 fiscal year.

(3) The "2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting," (~~March~~ July 1, 2025~~6~~), adopted by the Education Audit Appeals Panel, is incorporated by reference for the required financial and compliance audits of the 2025-26 fiscal year.

(b) Each annual 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 is superseded by a supplemental audit guide, if needed, adopted before March 1 of each fiscal year. Each annual guide, including Appendices A, B and C and any applicable supplement, is 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: Article XIII, Section 36 and Article XIII A, Section 1, California Constitution; and Sections 14502.1 and 47612, Education Code. Reference: Article XIII B, Section 1.5, California Constitution; and Sections 2574, 14501, 14502.1, 14503, 37700, 41020, 41024, 41480, 42238.02, 43500, 43501, 43502, 43504, 43505, 43509, 43520, 43521, 43522, 44258.9, 45037, 46146, 46300, 47605, 47612, 47614, 48000, 48306, 48313, 51747, 51749, 52060, 53071, 56026, 56340 and 76004, Education Code.

## Audit Guide Amendments

The proposed annual 2025-26 Supplemental Audit Guide includes the following deletions and amendments:

### Deletions

**BZ. Expanded Learning Opportunities Grant (ELO-G)** is deleted from the audit guide because LEAs are not eligible to expend state funds during the 2025-26 school year.

### Amendments:

**TT. Home to School Transportation Reimbursement** is amended in Procedure 1 to include reference to the deadline, as required by Education Code section 39800.1(a). An amendment is also made to Procedure 5 to remove reference to the October deadline, as LEAs may submit revisions in November and December

**W. Unduplicated Local Control Funding Formula Pupil Counts** is amended in Procedure 1.a to include reference, as required by Education Code section 42238.01(a)(1), to a “federal Summer Electronic Benefit Transfer for Children (Summer EBT) – compliant Universal Benefit Application” as another form of supporting documentation to verify pupil eligibility for free and reduced-price meals.

**X. Local Control and Accountability Plan (LCAP)** is amended to move and update Procedures 5.e and 5.f to new Procedures 7.a. and 7.b, respectively, pursuant to Education Code section 52065.1. New Procedures 7.c and 8 are added to verify the LCAP was adopted on or before July 1 of the audit year and to report the fiscal penalty in the audit finding for non-compliance with the requirements in new Procedure 7.

**DZ. Expanded Learning Opportunities Program (ELO-P)** is amended in Procedures 1 through 9 to incorporate changes in Education Code section 46120 related to the eligibility expansion of Rate 1 funding and to provide clarification on audit steps.

**EZ. Transitional Kindergarten** is amended in Procedures 2 and 4 to include updated references to Education Code section 48000.1(b) to address penalty calculation changes for average class enrollment exceeding 24 pupils and the 1 to 10 adult-to-pupil ratio. An amendment is also made to Procedure 5 to correctly reference Education Code section 48000(g)(4) instead of section 4800(g)(4).

**BB. Mode of Instruction** is amended in Procedure 1.a to delete reference to an outdated Education Code section 47605.4. An amendment is also made to Procedure 1.d to replace reference to an outdated Education Code section 76004(s) with section 76004(t)(2).

### **Document incorporated by reference**

The 2025-26 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (March 1, 2026) is incorporated by reference. Incorporation by reference simplifies the process of adopting annual audit guides and supplemental audit guides by putting the guide directly in usable format. Annual audit guides, supplemental audit guides, and the steps of the rulemaking process are readily available on the EAAP website.

### **Public Benefits**

These additions, deletions and amendments make technical and conforming changes to 2025-26 Audit Guide requirements to ensure consistency and compatibility with new and preexisting state statutes and regulations. EAAP does not anticipate that these proposed regulations would create specific benefits to 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. EAAP has determined that the proposed regulations will ultimately benefit the welfare of California residents by ensuring that local educational agencies comply with regulatory requirements and by improving the quality and consistency of TK-12 audits.

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

EAAP relied upon the 2025-26 Audit Guide and the State Controller's Office letter dated February 9, 2026, which proposed changes to the 2025-26 Audit Guide.

### **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 determined that these 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 Government Code section 17561 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).