

Introduced by Senator WylandFebruary 22, 2013

An act to amend Section 14502.1 of, and to add Section 17076.12 to, the Education Code, relating to school facilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 584, as introduced, Wyland. School facilities: financial and performance audits.

(1) Existing law requires the Controller, in consultation with the Department of Finance, the State Department of Education, and representatives of certain nongovernmental organizations, to recommend the statements and other information to be included in the audit reports filed with the state, and to propose the content of an audit guide that is required to be submitted by the Controller to the Education Audits Appeal Panel for review and possible amendment.

This bill would require the Controller, on or before January 1, 2015, and in consultation with the State Allocation Board, the Department of Finance, and the State Department of Education, to submit content to the Education Audits Appeal Panel to be included in the audit guide, Standards and Procedures for Audits of California K-12 Local Educational Agencies 2015-16, that is related to specified financial and performance audits required for school facility projects.

(2) The California Constitution limits the maximum amount of any ad valorem tax on real property to 1% of the full cash value of the property except for ad valorem taxes or assessments that pay the interest and redemption charges on bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, rehabilitation, or replacement of school facilities approved by 55% of the voters if the proposition includes specified

accountability requirements, including, but not limited to, a requirement that the governing board of either the school district or community college district or county office of education conduct annual independent performance and financial audits. Existing law requires, by March 31 of each year, the annual, independent financial and performance audits for the preceding fiscal year to be submitted to a citizens' oversight committee that is required to be established if a proposition is approved by the voters, as described above.

Existing law also requires a school district that has received any funds pursuant to the Leroy F. Greene School Facilities Act of 1998 (the act) to submit an annual summary report of the expenditure of state funds and of district matching funds until all state funds and district matching funds are expended, and then the school district is required to submit a final report to the State Allocation Board.

This bill would also require a school district that has received any funds or apportionments pursuant to the act to submit annual independent financial and performance audits to the State Allocation Board for the preceding fiscal year to ensure that the funds have been expended only in accordance with the act. The bill would prohibit a school district that does not annually submit these audits from receiving funds or apportionments pursuant to the act.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 14502.1 of the Education Code is
2 amended to read:
3 14502.1. (a) The Controller, in consultation with the
4 Department of Finance and the State Department of Education,
5 shall develop a plan to review and report on financial and
6 compliance audits. The plan shall commence with the 2003–04
7 fiscal year for audits of school districts, other local education
8 agencies, and the offices of county superintendents of schools.
9 The Controller, in consultation with the Department of Finance,
10 the State Department of Education, and representatives of the
11 California School Boards Association, the California Association
12 of School Business Officials, the California County
13 Superintendents Educational Service Association, the California
14 Teachers Association, the California Society of Certified Public

1 Accountants, shall recommend the statements and other information
2 to be included in the audit reports filed with the state, and shall
3 propose the content of an audit guide to carry out the purposes of
4 this chapter. A supplement to the audit guide may be suggested in
5 the audit year, following the above process, to address issues
6 resulting from new legislation in that year that changes the
7 conditions of apportionment. The proposed content of the audit
8 guide and any supplement to the audit guide shall be submitted by
9 the Controller to the Education Audits Appeal Panel for review
10 and possible amendment.

11 (b) The audit guide and any supplement shall be adopted by the
12 Education Audits Appeal Panel pursuant to the rulemaking
13 procedures of the Administrative Procedure Act as set forth in
14 Chapter 3.5 (commencing with Section 11340) of Part 1 of Division
15 3 of Title 2 of the Government Code. It is the intent of the
16 Legislature that, for the 2003–04 fiscal year, the audit guide be
17 adopted by July 1 of the fiscal year to be audited. A supplemental
18 audit guide may be adopted to address legislative changes to the
19 conditions of apportionment. It is the intent of the Legislature that
20 supplements be adopted before March 1 of the audit year.
21 Commencing with the 2004–05 fiscal year, and each fiscal year
22 thereafter, the audit guide shall be adopted by July 1 of the fiscal
23 year to be audited. A supplemental audit guide may be adopted to
24 address legislative changes to the conditions of apportionment.
25 The supplements shall be adopted before March 1 of the audit
26 year. To meet these goals and to ensure the accuracy of the audit
27 guide, the process for adopting emergency regulations set forth in
28 Section 11346.1 of the Government Code may be followed to
29 adopt the guide and supplemental audit guide. It is the intent of
30 the Legislature that once the audit guide has been adopted for a
31 fiscal year, as well as any supplement for that year, thereafter only
32 suggested changes to the audit guide and any additional
33 supplements need be adopted pursuant to the rulemaking
34 procedures of the Administrative Procedure Act. The audit guide
35 and any supplement shall be issued in booklet form and may be
36 made available by any means deemed appropriate. The Controller
37 and consultants in the development of the suggested audit guide
38 and any supplement shall work cooperatively on a timeline that
39 will allow the education audits appeal panel to meet the July 1 and
40 March 1 issuance dates. Consistent with current practices for

1 development of the audit guide before the 2003–04 fiscal year, the
2 Controller shall provide for the adoption of procedures and
3 timetables for the development of the suggested audit guide, any
4 supplement, and the format for additions, deletions, and revisions.

5 (c) For the audit of school districts or county offices of education
6 electing to take formal action pursuant to Sections ~~22714, 22714.5,~~
7 ~~22714 and 44929, and 44929.1~~, the audit guide content proposed
8 by the Controller shall include, but not be limited to, the following:

9 (1) The number and type of positions vacated.

10 (2) The age and service credit of the retirees receiving the
11 additional service credit provided by Sections ~~22714, 22714.5,~~
12 ~~44929, and 44929.1~~ *22714 and 44929.*

13 (3) A comparison of the salary and benefits of each retiree
14 receiving the additional service credit with the salary and benefits
15 of the replacement employee, if any.

16 (4) The resulting retirement cost, including interest, if any, and
17 postretirement health care benefits costs, incurred by the employer.

18 (d) The Controller shall annually prepare a cost analysis, based
19 on the information included in the audit reports for the prior fiscal
20 year, to determine the net savings or costs resulting from formal
21 actions taken by school districts and county offices of education
22 pursuant to Sections ~~22714, 22714.5, 44929, and 44929.1~~ *22714*
23 *and 44929*, and shall report the results of the cost analysis to the
24 Governor and the Legislature by April 1 of each year.

25 (e) All costs incurred by the Controller to implement subdivision
26 (c) shall be absorbed by the Controller.

27 ~~(f) This section shall become operative July 1, 2003 and shall~~
28 ~~apply to the preparation of the audit guide for school district audits~~
29 ~~commencing with the 2003–04 fiscal year.~~

30 *(f) On or before January 1, 2015, the Controller, in consultation*
31 *with the State Allocation Board, the Department of Finance, and*
32 *the State Department of Education, shall submit content to the*
33 *Education Audits Appeal Panel to be included in the audit guide,*
34 *Standards and Procedures for Audits of California K-12 Local*
35 *Educational Agencies 2015-16, that is related to the financial and*
36 *performance audits required for school facility projects, as*
37 *described in Sections 15286 and 17076.12.*

38 SEC. 2. Section 17076.12 is added to the Education Code, to
39 read:

1 17076.12. (a) A school district that has received any funds or
2 apportionments pursuant to this chapter shall submit annual,
3 independent financial and performance audits for the preceding
4 fiscal year to the board to ensure that the funds have been expended
5 only in accordance with this chapter.

6 (b) If a school district fails to annually submit the audits required
7 by subdivision (a), the school district shall be prohibited from
8 receiving funds or apportionments pursuant to this chapter.

O