

2016-129 AUDIT SCOPE AND OBJECTIVES

K-12 High Speed Network Operations and Funding

The audit by the California State Auditor will provide independently developed and verified information related to the operations and funding of the K-12 High Speed Network (K12HSN), and will include, but not be limited to, the following:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Identify and evaluate the roles and responsibilities of the California Department of Education (CDE), the Imperial County Office of Education (ICOE), the Corporation for Education Network Initiatives in California (CENIC), the K12HSN advisory board, and any other state or local agencies or contractors that may be involved in managing or administering K12HSN.
3. Determine what services K12HSN contracts for with CENIC or others. Ascertain what performance measures CDE and ICOE have developed for ensuring that K12HSN's benefits are maximized, including whether contracting with CENIC represents the most cost effective option for the state.
4. Assess how ICOE ensures that Internet subsidies are maximized and fully and properly credited to K12HSN.
5. Identify all of K12HSN's funding sources for the most recent three fiscal years and do the following:
 - (a) Determine K12HSN's major categories of expenditures and evaluate whether its spending practices are reasonable, cost effective, and consistent with state policies.
 - (b) Assess whether ICOE's administrative costs for K12HSN are reasonable and in accordance with its grant agreement.
6. Review ICOE's and CDE's budgetary planning practices for K12HSN, including how they determine the need for capital investments and operating reserves. Assess whether the entities' budgetary planning activities follow best practices and whether the entities' use consistent methodologies.
7. Determine K12HSN's operating reserves for the most recent three fiscal years. To the extent possible, do the following:
 - (a) Calculate K12HSN's operating reserve at the end of fiscal year 2016-17.
 - (b) Determine what a prudent annual operating reserve should be.

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8. Determine the core duties of K12HSN staff. Further, determine K12HSN staffing levels and costs for the most recent three fiscal years and perform the following:
 - (a) Ascertain whether staffing levels have increased and the reasons why.
 - (b) Review staffing plans and assess whether these plans are adequate.
 - (c) Determine how staff compensation rates are set and whether those rates are commensurate with their responsibilities.
9. Review the grant agreement between CDE and ICOE and do the following:
 - (a) Determine what process CDE follows in awarding the K12HSN grant.
 - (b) Establish how CDE calculates the annual grant award and whether that calculation takes into consideration any operating reserves.
 - (c) Ascertain whether CDE has measured ICOE's performance against the grant agreement. Determine whether opportunities exist for CDE to improve its monitoring.
10. Determine how ICOE and/or CDE monitors CENIC's performance and whether these entities are providing all necessary oversight.
11. Review and assess any other issues that are significant to the audit.