

Minutes of the Education Audit Appeals Panel
Wednesday, June 17, 2025
915 L Street, Cedar Room
Sacramento

Call to Order and Roll Call

Cheryl McCormick called the meeting to order at 1:32 p.m.

Panel members present: Cheryl McCormick, designee of the Director of the Department of Finance and Abel Guillen, designee of the Superintendent of Public Instruction.

Approval of Minutes

Action: Approval of the minutes of the May 19, 2025 meeting was deferred to the next Panel Meeting.

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| Item 1 | Report of the Executive Officer | Information |
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EAAP meets monthly with the Panel in part, to provide insight into some of the administrative work EAAP staff are working on, the tasks that are not subject to Panel approval or formal votes. The goal is to keep the Panel informed about the work being done behind the scenes.

When LEAs receive notice of certification of audit reports that contain significant findings, they can submit timely requests for informal review. These are referred to as summary review requests. Occasionally, Local Education Agencies (LEAs) miss the 30-day deadline for submitting a summary review request. In such cases, they are required to file a formal appeal. Additionally, if EAAP has completed the summary review process but the LEA disagrees with the outcome, they have the option to proceed with a formal appeal. Additionally, School Facility Program Bond Fund audits are explicitly excluded from the summary review appeal process by statute and must proceed directly to formal appeal. For formal appeals, Martin Vazquez handles all administrative tasks, including accepting the appeals, submitting a Request to Set Hearing to the Office of Administrative Hearings, and notifying all interested parties involved in the appeal. Once the information is distributed and discussions begin, many cases are resolved through settlements rather than proceeding to a full hearing. These settlements are submitted for inclusion on the agenda, where the Panel must review and approve them. We have two examples of such settlements included on today's closed session agenda.

Since the last meeting, 11 new summary reviews were filed, with amounts ranging from \$19,000 to \$3.8 million. Summary reviews can be handled administratively if the penalty is less than \$750,000 or 150 ADA units; otherwise, they require written approval of the Department of Finance and the Superintendent of Public Instruction. The top three cases on the summary review list—University Prep, Shasta Union, and Lake Tahoe Unified—are carryovers from the 2021-22 fiscal year independent study findings. In 2022-23, the introduction of loss mitigation changed the audit requirements, prompting a retrospective review of the 2021-22 independent study audits under the new loss mitigation standard. If the 2022-23 audit reports for these 2021-22 audits demonstrate a clean finding in the area of loss mitigation, we grant the request for summary

review. The process has been prolonged due to the wait for the 2022-23 audit reports, but we are now down to the final three cases. Lake Tahoe Unified has already been granted relief.

Ms. Kelly reported that since the last meeting, no additional formal appeals were filed. Dinuba Unified School District and Chino Unified School District are on the Closed Session Agenda. Dinuba Unified's case deals with an educator effectiveness finding and Chino Unified deals with a School Facility Program Bond Fund audit.

The Panel welcomed Rebecca Lee, the new Executive Officer starting July 7th, who brings extensive experience in the K-12 community as well as auditing experience. Ms. Lee has served the K-12 community in various capacities over many years. Her extensive experience, combined with her background as an auditor, will be a valuable asset in this role. Since much of the job involves communicating with auditors—understanding their audit procedures, requesting working papers, and examining their methodologies—her firsthand knowledge of auditing will greatly enhance our ability to navigate these processes.

Abel Guillen was also introduced as the new representative of the Superintendent of Public Instruction. Mr. Guillen has worked across a diverse range of K-12 areas for over 20 years. Ms. Kelly believes that both Mr. Guillen and Ms. Lee will bring fresh perspectives and new approaches to evaluating processes and identifying opportunities for improvement.

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| Item 2 | Public Participation | Information |
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No public comments were made.

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| Item 3 | Legislation Report Discussion and action as appropriate regarding any legislation that may affect EAAP | Information Action |
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Mr. Morgan spoke on Senate Bill 48, which deals with ADA adjustments to compensate for possible disruptions from ICE access to schools. He also mentioned Senate Bill 63, it will hold both charter schools and their managing entities liable for repayment in case of defaults.

He also spoke on bills related to charter school accountability, previously Assembly Bill 84, Senate Bill 414 and Senate Bill 719 were discussed with the Panel. No significant changes in these were noticed.

Mr. Morgan stated that EAAP would continue to follow these bills.

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| Item 4 | <p>Permanent Supplemental Regulations: 2024-25 Supplemental Audit Guide</p> <p>No comments were received during the 45-day notice period, which ended June 9, 2025.</p> <p>Take action as appropriate to adopt or amend the proposed regulations.</p> | Information Action |
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On April 2, 2025, the Panel approved the text of the supplemental regulations for the 2024-25 fiscal year. Prior to that, because the supplemental regulations must be published by March 1st, the Panel had previously approved the text of the Supplemental Audit Guide on February 26, 2025. This approval enabled us to begin the regular emergency rulemaking process and post the 2024-25 Supplemental Audit Guide online.

Since emergency rulemaking packages are only valid for 90 days, we also needed to initiate permanent rulemaking to ensure the regulations remain in effect beyond that period.

Accordingly, on April 2 2025, the Panel authorized the start of the regular rulemaking process for the supplemental regulations for 2024-25. The proposed text was made available to the public beginning April 25th, and the public comment period closed on June 9th.

Action: The Panel members unanimously adopted the proposed Permanent Supplemental Regulations.

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| Item 5 | <p>Permanent Regulations: 2025-26 Annual Audit Guide</p> <p>No comments were received during the 45-day notice period, which ended June 2, 2025.</p> <p>Take action as appropriate to adopt or amend the proposed regulations.</p> | Information Action |
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Each year, an Annual Audit Guide is published on July 1, marking the start of a two-year audit cycle. For example, the 2025–26 Audit Guide will be released on July 1, 2025, at the beginning of the school fiscal year. This early release gives LEAs insight into the upcoming audit focus, helping especially smaller or less-resourced LEAs identify regulatory changes that may affect them.

During the fall, a working group—led by the State Controller’s Office and including representatives from the Department of Education, Department of Finance, EAAP, auditors, and school districts—reviews the guide. They assess whether adjustments are needed based on feedback or legislative changes.

As a result, a Supplemental Audit Guide is issued by March 1st of the following year, updating the original guide. Although labeled “supplemental,” this version becomes the version auditors follow.

On April 2, 2025, the Panel approved the draft text and authorized the initiation of the formal rulemaking process. The proposed guide was publicly noticed and distributed, with the comment period running from April 18, 2025 to June 2, 2025. No public comments, change requests, or hearing requests were received. Today’s action is to finalize the rulemaking process

by certifying that all procedural requirements were met. This will allow us to formally adopt the audit guide and publish it by July 1st, as required by statute.

Action: The Panel members unanimously adopted the proposed Permanent Regulations

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| Item 6 | Next Meeting July 21, 2025 | Information Action |
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Adjournment

Ms. McCormick adjourned the public session at 1:55 p.m.

Closed Session Report:

In closed session, the Panel unanimously approved the Stipulated Agreement of the parties in the matter of Dinuba Unified School District, EAAP Case 24-60 and the Stipulated Agreement of the parties in the matter of Chino Unified School District, EAAP Case 24-62.