

Minutes of Education Audit Appeals Panel

Monday, March 23, 2026
915 L Street, Cedar Room

Call to Order and Roll Call

Elizabeth Dearstyne called the meeting to order at 1:31 p.m.

Panel members present: Elizabeth Dearstyne, designee of the Fiscal Crisis and Management Assistance Team and Cheryl McCormick, designee of the Director of the Department of Finance.

Approval of Minutes

Action: The minutes of the February 23, 2026, meeting were approved.

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| Item 1 | Report of the Executive Officer | Information |
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Rebecca Lee reported that there are 15 formal appeal cases currently being tracked. Since the last meeting, there was one formal appeal filed by Kit Carson Union Elementary District, which went straight to formal appeal. The settlements for Berkeley Unified School District and Aromas - San Juan Unified School District will be heard in Closed Session.

The Consolidated Hearing for the California Innovative Career Academy (CICA) and Highlands Community Charter School cases will be listed as one line on the Formal Appeals report, but still carry both EAAP and Office of Administrative Hearings (OAH) case numbers. CICA will be the primary case as it was filed for Formal Appeal first.

In response to a question from the last meeting related to the anticipated date for the Panel to act on the CICA and Highlands cases, staff learned from OAH that for EAAP cases the decision would be received within 30 days after the hearing.

Since the last meeting, two new summary reviews were filed for Connect Community Charter School and School of Arts and Enterprise, both which have determinations. Currently there are two pending cases, Pajaro Valley Unified School District and the Inglewood Unified School District.

The notice of approval of the emergency regulations for the 2025-26 Audit Guide dated March 1, 2026, and the filing with the Secretary of State both occurred on March 16, 2026, and the final version is posted on the EAAP webpage. Staff will continue working to finalize the permanent rulemaking process before September 14, 2026, when the emergency regulations expire.

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| Item 2 | Public Participation | Information |
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No comments were received from the public.

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| Item 3 | Legislation Report Discussion and action as appropriate regarding any legislation that may affect EAAP | Information |
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Ms. Lee reported that the Budget Subcommittee hearings have started, but the charter oversight proposals have not yet been heard. The budget May Revision is released in mid-May 2026, so EAAP staff may have more information around that time on any other proposed changes or if the topic has been heard in the Legislature.

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| Item 4 | Notice of Proposed Rulemaking: Permanent Regulations: 2026-27 Audit Guide Authorization to begin regular rulemaking process. | Information Action |
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Ms. Lee advised the 2025-26 Supplemental Audit Guide is the starting point for the Notice of Proposed Rulemaking for the 2026-27 Audit Guide. That text, along with suggestions from the Audit Guide Committee, was used to develop the 2026-27 Audit Guide. As required by Education Code section 14502.1(b), the audit guide shall be adopted by July 1 of the fiscal year to be audited.

Ms. Lee noted that the Panel is used to seeing both an emergency and a regular rulemaking Item related to the next fiscal year’s Audit Guide. The current Panel action would be to approve the initiation of the regular rulemaking process for the 2026-27 Audit Guide. This allows staff to complete the process by the July 1 deadline, without having to utilize the emergency rulemaking process, and is consistent with the regular rulemaking process used last year. Under that timeline, the Panel would vote at the June 2026 EAAP meeting on the final regulations package.

Proposed changes:

H. Ratio of Administrative Employees to Teachers is amended in Procedure 3 to clarify that the penalty calculation should be included as part of a Ratio to Administrative Employees to Teachers audit finding.

Q. Apprenticeship: Related and Supplemental Instruction added a Compliance Requirements section and amended Procedures 1 through 3 to conform with the California Community Colleges Contracted District Audit Manual. This was presented in collaboration with the Chancellor's Office and the California Department of Education.

TT. Home to School Transportation Reimbursement is amended in Procedure 3 to clarify that transportation expenditures for the audit year will impact the subsequent year of funding, and in Procedure 4 to clarify how auditors are to determine transportation expenditures.

W. Unduplicated Local Control Funding Formula Pupil Counts is amended in Procedures 4 and 5 to clarify that the calculation of the potential fiscal impact to supplemental and concentration grant funding should be displayed as part of an unduplicated pupil count audit finding and to include a link to the penalty calculator.

AZ. Educator Effectiveness deleted this section because funds expire with the 2025-26 school year.

DZ. Expanded Learning Opportunities Program (ELO-P) is amended in Procedures 2, 3.a, 4, 5.a and 7 to add the Education Code citation to section 46120(g)(5) related to offering the program, and to add alternative documentation used to demonstrate access, pursuant to Education Code section 46120(g)(6). This is consistent with the State Controller's Office Advisory for 2024-25.

EZ. Transitional Kindergarten is amended in procedures 2, 4, and 6 to include schedules of the penalty calculations and required components in the audit findings, related to average class enrollment, adult-to-pupil ratio, and teacher credentialing.

The proposed 2026-27 Audit Guide includes the following changes to **Appendix B**:

Identify the fiscal year on the Index/Table of Contents, in the Initial Steps update the name of the Reduction to Costs report, and add to the Documents Needed to Audit specified Master Plan documents and annual narrative for insurance proceeds.

For Closeout Audits of non-financial hardship projects, starting on page 7, and financial hardship projects, starting on page 40, added the same four new procedures that require the auditor to perform additional verification processes related to the Master Plan, insurance proceeds, the Small School Program, and Project Labor Agreements. For Financial Hardship Projects on page 45, added to procedure 10 related to verifying expenditure reporting prior to the Financial Hardship approval when submitting the Financial Hardship request.

For the Career Technical Education Section, starting on page 77, and the Charter School Facilities Program, starting on page 97, added a new procedure that require the auditor to perform additional verification processes related to the Master Plan.

For Appendix B, Step 13 of Section IV Career Technical Education, on page 84, the third bullet in the second information box was inadvertently deleted. This information will be added back to the third bullet: "Unified school districts with an average daily attendance < 1,200 pupils."

Appendices A and C had no changes, but the package submitted to the Office of Administrative Law for Appendix C will include formatting updates to tighten up the document, and will now only be 32 pages, but the content is exactly the same. Due to a formatting issue, in Step 15 of Section II on page 14 of the current online version, the first information box got cut off so the second paragraph is not fully shown.

Both corrections will be submitted with the 2026-27 Audit Guide regulations package, and staff are looking into the proper process to correct the 2025-26 Audit Guide.

Ms. Dearstyne asked why for Section Q. Apprenticeship: Related and Supplemental Instruction, the heading “Suggested Audit Procedures” was not in conformity with how the K-12 Audit Guide is outlined. Ms. Lee responded that upon review of the Community Colleges Audit Guide, this more mirrored and maintained their structure, and acknowledged that the K-12 Audit Guide does not necessarily have “suggested” language, although auditors are allowed to change the audit procedures so long as they identify what they did.

Action: The Panel members approved the initiation of the permanent rulemaking process for the 2026-27 Audit Guide, with the heading “Suggested Audit Procedures” removed from Section Q.

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| Item 5 | Notice of Proposed Rulemaking: Permanent Regulations: Definitions and Conflict of Interest Code Authorization to begin regular rulemaking process. | Information Action |
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Both proposals were heard at the February 23, 2026, meeting and have been updated to reflect Panel comments.

For the Definitions, the Department of Education was added to the list as “Parties to the appeal”, “if they elect to intervene”. The Conflict of Interest Code added specificity to the Disclosure Category 2 exemption to add “local educational agency” after “local government agency.”

Action: The Panel members approved the initiation of the permanent rulemaking process for the Definitions and Conflict of Interest Code.

Adjournment

Ms. Dearstyne adjourned the meeting at 2:50 p.m.

Closed Session Report:

In closed session, the Panel unanimously approved the Stipulated Agreement of the parties in the matter of:

- Item 1: Aromas-San Juan Unified School District, EAAP Case 25-06
- Item 2: Berkeley Unified School District, EAAP Case 23-59