Minutes of Education Audit Appeals Panel

Monday, June 29, 2026
915 L Street, Cedar Room

Call to Order and Roll Call

Cheryl McCormick called the meeting to order at 1:33 p.m.
Panel members present: Mike Fine, Chief Executive Officer of the Fiscal Crisis and Management Assistance Team and Cheryl McCormick, designee of the Director of the Department of Finance.

Approval of Minutes

Panel members and EAAP staff discussed and confirmed that Panel members do not need to be present at the prior meeting to approve minutes.

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

Item 1	Report of the Executive Officer	Information

Rebecca Lee introduced Todd Smith to the Panel, who joined EAAP as a Retired Annuitant Staff Counsel on April 1, 2026. Mr. Smith has 20 years of experience working at the California Department of Education, last serving as their Assistant General Counsel.

Ms. Lee reported that there are 17 formal appeal cases currently being tracked. Since the last meeting, there were four formal appeals filed for Elite Public Schools, Connect Community Charter School, Oakley Union Elementary School District, and Princeton Joint Union School District. Oakley Union Elementary School District and Princeton Joint Union School District are for School Facility Program Bond Fund Audits, which can only utilize the formal appeal process. Elite Public Schools went straight to formal appeal and Connect Community Charter School was a denied summary review. The settlement for Trona Joint Unified School District will be heard in Closed Session.

Since the last meeting, one new summary review was filed for Los Angeles Unified School District (LAUSD). Ms. Lee noted a correction on the summary review spreadsheet. $5,219,756 is the total of the finding for Transitional Kindergarten for LAUSD, but they are only appealing the portion of the finding related to average class enrollment, which totals $4,594,670.

There was one determination made for Pajaro Valley Unified School District, which was partially granted. The two pending cases for Inglewood Unified School District and LAUSD are in the final stages of review.

Ms. Lee provided a general update on appeals caseload. Last year EAAP logged a record number of cases at 69, and by this time last year received 32 cases. So far this year, EAAP has received 9 cases. The State Controller's Office indicated between March 2026 and May 2026, Apportionment Significant Findings did not go out due to a delay in their approval process. There about 80 awaiting approval scheduled to go out by next week, so EAAP may receive a surge in appeals in the last half of July. Mr. Fine requested clarification regarding the underlying issue and what was not done, and Ms. Lee explained our understanding is that they are at the second level review.

Ms. Lee provided an update on the Definitions Regulations. At the March 23, 2026, meeting, the Panel unanimously approved initiation of permanent rulemaking process to clarify Section 19800, which listed the “Parties to the appeal” to include the Department of Finance and the Department of Education, if they elect to intervene. To implement the updates, EAAP staff determined there may be a more efficient way to make this clarification and ensure accuracy in the regulations by utilizing the Section 100, Changes without Regulatory Effect process, which would provide the same outcome.

Ms. Lee also explained upon further review, it was noticed that our regulatory definition of the “Parties to the appeal” did not take into consideration appeals of School Facility Program Bond Audits referenced in Education Code Section 41024 in which the Office of Public School Construction is also a party to the appeal if they choose to intervene. EAAP staff also identified a statutory inconsistency in that Section 41024 only references Department of Finance as an intervener, whereas Education Code Section 41344.1 was amended in 2018 to include Department of Finance as a party to all appeals. EAAP staff are reviewing further to see if this can or should be dealt with in the regulations.

Ms. Lee reported the EAAP website has been updated to consolidate the agendas, minutes and meeting materials into one page now titled Agendas and Meeting Materials.

Item 2	Public Participation	Information

No comments were received from the public.

Item 3	Legislation Report Discussion and action as appropriate regarding any legislation that may affect EAAP	Information Action

Ms. Lee highlighted changes from the charter school accountability proposals that were added at May Revision, but noted the Education Omnibus Trailer Bill was just published on June 26, 2026, as part of the budget deal for 2026-27. Most proposals related to inclusions commencing with the 2027-28 Audit Guide were maintained with some technical clarifications, and a new section was added related to contractor requirements and disallowable expenditures. Continuing education and experience requirements, and audit report due dates and timing of approval, remained from Governor’s Budget, which Ms. Lee believes would have the most potential impact on the flow of EAAP workload. Mr. Fine explained that the trailer bill items are carryover from prior negotiations on AB 84 and SB 414 and generally did not exclude proposals enhancing the audit process, and provided further details on the new audit report due dates and extension parameters, and the rational for those changes.

Ms. Lee also discussed Assembly Bill 2440 related to Proposition 28, which may result in conforming audit guide changes.

Item 4	Permanent Supplemental Regulations: 2025-26 Supplemental Audit Guide No comments were received during the 45-day notice period, which ended June 9, 2026. Take action as appropriate to adopt or amend the proposed regulations.	Information Action

At the February 23, 2026, meeting, the Panel unanimously approved the initiation of the permanent rulemaking process for the 2025-26 Supplemental Audit Guide. The regulations are already in place utilizing the emergency regulations process to meet the March 1st deadline. The proposed text of the permanent rulemaking process was made available on April 24, 2026, which was the same text as the emergency package, and the public comment period ended on June 9, 2026. No comments were received during the 45-day notice period.

Action: The Panel members unanimously adopted the proposed Permanent Regulations

Item 5	Permanent Regulations: 2026-27Annual Audit Guide No comments were received during the 45-day notice period, which ended June 2, 2026. Take action as appropriate to adopt or amend the proposed regulations.	Information Action

At the March 23, 2026, meeting, the Panel unanimously approved the initiation of the permanent rulemaking process for the 2026-27 Annual Audit Guide. The proposed text of the permanent rulemaking process was made available on April 17, 2026, and the public comment period ended on June 2, 2026. No comments were received during the 45-day notice period.

Action: The Panel members unanimously adopted the proposed Permanent Regulations

Item 6	Permanent Regulations: Conflict of Interest Code Take action as appropriate to adopt or amend the proposed regulations.	Information Action

At the March 23, 2026, meeting, the Panel unanimously approved the initiation of the permanent rulemaking process for the EAAP Conflict of Interest Code. The proposed text was made available on May 8, 2026, and the public comment period ended on June 23, 2026. No comments were received during the 45-day notice period.

Ms. Lee noted that the Notice Register posted on May 8, 2026, inadvertently stated Title 2 instead of Title 5 was being amended, so the Office of Administrative Law published an editorial correction on June 26, 2026.

Mr. Fine asked and Ms. Lee confirmed that the changes came out of the biennial review.

Action: The Panel members unanimously adopted the proposed Permanent Regulations

Item 7	Next Meeting July 20, 2026	Information

Adjournment
Ms. McCormick adjourned the meeting at 1:56 p.m.

Closed Session Report:

In closed session, the Panel unanimously approved the Stipulated Agreement of the parties in the matter of Trona Joint Unified School District, EAAP Case 25-46.