

FCMAT

FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

© Fiscal Crisis & Management
Assistance Team

Fiscal Oversight

2026-27 Fiscal Year

Day 1

Agenda for Day 1

- Introduction
- Background and Historical Context
- Budget Adoption Process
- Interim Reports and Certifications
- Going Concern Process
- Public Disclosure Responsibilities
- Annual Audit Requirements
- Fiscal Oversight Evaluations

Introduction

Introductions



1) Tell us a little about yourself:

- Your name, county office of education, position, and years in your current role.
- Any previous experience working for a school district or charter school.

2) Interactive Activity

Goal for Today

- 1) Find a partner.
- 2) Choose **one word** that describes your primary goal or or how you're feeling about today's workshop.
- 3) Take 30 seconds to share your word and explain why you chose it.
- 4) Be prepared to share your partner's response with the group.



Introduction – Presenters Background

- **Erin Lillibridge, CFE**
 - Joined FCMAT in 2021.
 - Chief business official at a charter school and two school districts.
 - Administrator of fiscal oversight at a county office of education.
 - Worked at the California Department of Education (CDE) and Department of Finance (DOF).
- **Roslynne Manansala-Smith, CFE**
 - Joined FCMAT in 2023.
 - Director, external business at a county office.
 - Chief business official at a unified school district.
 - Charter school oversight at a county office and a school district.
 - Held various business roles in a school district and a county office: accounts payable, accounting, budget and facilities.

Background and Historical Context

Origins and Impact of AB 1200

- **1991:** Assembly Bill (AB) 1200 (Chapter 1213) improved fiscal oversight by school district governing boards and county superintendents of schools.
- **1993-2012:** Only nine school districts and one community college district required state emergency apportionments (state loans).
- **2012-2024:** No local educational agencies (LEAs) required state loans.
- **2025:** Plumas Unified School District received authorization for a \$20 million state loan.
- For a historical summary of state loans to school districts, visit [FCMAT's website](#).

Fiscal Oversight - Structure

- **Fiscal oversight begins at the local level**, with district governing boards supported by county superintendents and the state.
- **County superintendents** review and approve district budgets and Local Control and Accountability Plans (LCAPs), assess three-year fiscal solvency, and evaluate disclosures related to collective bargaining and debt.

Fiscal Oversight – Structure (cont.)

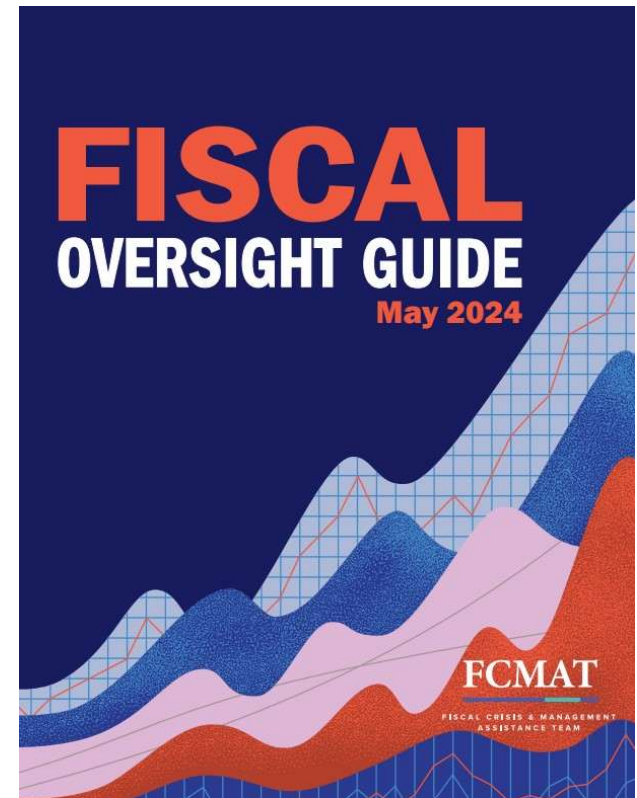
- **At the state level, AB 181, 126 and 2467 and Senate Bill (SB) 133 (Chapters 66, 65, 608, and 250, respectively, Statutes of 2026)** establish changes intended to strengthen transitional kindergarten through grade 12 (TK-12) governance, improve statewide coordination, and support student outcomes. Beginning in January 2027, a governor-appointed education commissioner will assume specified duties currently held by the Superintendent of Public Instruction (SPI), with responsibilities redistributed between the commissioner and the CDE.

Fiscal Oversight - FCMAT's Role

- Assembly Bill 1200 established FCMAT to support LEAs with fiscal management tools, training and crisis prevention.
- Assembly Bill 2756 clarified oversight responsibilities for districts with emergency loans and expanded FCMAT's responsibilities in fiscal oversight and assistance.
- Assembly Bill 1840 expanded county superintendents' role in the receivership process and aligned oversight with local control principles.

Fiscal Oversight Guide

- The *Fiscal Oversight Guide*, last updated in May 2024, is available on [FCMAT's website](#).
- The AB 1200 fiscal oversight process has evolved through statutory provisions enacted over more than 30 years.
- **The *Fiscal Oversight Guide* is being updated to reflect recent legislation, including AB 121 (Chapter 8, Statutes of 2025), AB 126, 181 and 2467 and SB 133.**



Fiscal Health Risk Analysis (FHRA)

- The 2018-19 State Budget Act introduced an automatic engagement process as part of an early warning system to identify LEAs at risk of fiscal insolvency.
- FCMAT conducts a Fiscal Health Risk Analysis (FHRA) to assess an LEA's risk of insolvency in the current and the following two years.
- An FHRA is automatically triggered when an LEA meets any of the following criteria:
 - Has a disapproved budget.
 - Has a negative interim report certification.
 - Has qualified interim report certifications for three consecutive reporting periods.
 - Has an interim report certification downgraded by the county superintendent.
 - Receives a lack of going concern designation from the county superintendent.

Budget Adoption Process

Budget Adoption Process

- **Deadline:** Districts and county offices must adopt their budgets **before July 1** annually (EC 42127(a)).
- **Public hearing:** The hearing must be held at least **three working days after** the proposed budget is made available for public inspection (EC 42103(a)).
- **Agenda posting:** Post the public hearing agenda at least **72 hours in advance**, including the location where the proposed budget is available for inspection (EC 42127(a)(1)).
- **Public notice:** Publish notice in a local newspaper **at least three days before** the budget is available for public inspection and between **10 and 45 days before** the public hearing (EC 42103(d)(1)).

Budget Adoption Process (cont.)

- **Website posting:** Districts must prominently display the budget inspection and public hearing notice on their website homepage beginning with the 2027-28 budget. Publication in a local newspaper remains optional (EC 42103(d)(2)). The county superintendent verifies the budget has been posted.

Budget Adoption Process (cont.)

- **LCAP and budget adoption:** The district board must adopt the LCAP and budget at the same meeting, following the required public hearings, which must occur on a separate day (EC 52062(b)(2)).
- **LCAP adoption prerequisite:** The budget cannot be adopted before the LCAP or annual update is adopted if no current LCAP or update is in effect for that fiscal year (EC 42127(a)(2)(A)).
- **LCAP funding requirements:** The budget must include sufficient expenditures to implement the district's LCAP (EC 42127(d)(1)).
- **Negative fund or cash balances:** If the adopted budget or audited financial statements show a negative unrestricted fund balance or cash balance, the board must provide a statement explaining the cause and identifying corrective actions to resolve it within the fiscal year (EC 42127.5).

Budget Adoption Process (cont.)

- **Failure to adopt an LCAP or annual update:** LEAs identified through their annual audit as failing to adopt an LCAP or annual update by July 1 may face a financial penalty beginning at 20% of their second principal Local Control Funding Formula (LCFF) apportionment.
 - The penalty increases by 1% for each additional business day, up to 80%, unless the delay is due to a qualifying emergency (EC 52065.1).
- **Failure to adopt or submit required documents:** The county superintendent must withhold state, local, or county funds from LEAs that fail to adopt or submit their LCAP, budget, or other required reports until the applicable requirements are met (EC 42128).

Budget Adoption Process (cont.)

- **Withholding of warrant approval:** For districts subject to funding withholding under EC 42128, the county superintendent must also withhold approval of district warrants during the period of noncompliance.
- **Failure to submit required plans and reports:** School districts and charter schools that fail to submit required plans and reports within 14 days of the prescribed deadlines may have salaries or stipends withheld from superintendents, administrators, or board members until compliance is achieved (EC 42129).
- **Emergency exemptions:** LEAs may be exempt from these penalties in cases of qualifying emergencies.

Budget Submission and Review Timeline

- **Budget submission deadline:** Districts must file their adopted budgets with the county superintendent by **within five days of adoption or by July 1**, whichever comes first (EC 42127(a)(2)).
- **State budget revisions:** Within 45 days of enactment of the state budget, districts must make any related revisions available for public review (EC 42127(h)).
- **Failure to submit a budget:** If a district fails to submit an adopted budget, the county superintendent must develop one at the district's expense by September 15. It becomes the adopted budget unless modified and approved (EC 42127(d)(1)).
- **Failure to adopt a budget:** If the district board refuses to adopt a budget, the county superintendent must withhold state and county apportionments and notify the county to stop approving district warrants (EC 42128).

Budget Submission and Review Timeline (cont.)

- **County superintendent review deadline:** By September 15, the county superintendent must approve, conditionally approve, or disapprove the budget. If conditionally approved or disapproved, the county superintendent must provide recommendations for revisions (EC 42127(d)).
- **Additional fiscal review:** The county superintendent may assign a fiscal advisor or appoint a committee to review and comment on the recommendations.
- **LCAP approval requirement:** The county superintendent cannot approve the district's budget until its LCAP or LCAP update for the same fiscal year has been approved.
- **LCAP funding requirement:** The county superintendent must disapprove the budget if it does not include sufficient expenditures to implement the LCAP.

Budget Submission and Review Timeline (cont.)

- By **October 8**, the district must respond to the county superintendent's recommendations at a regular board meeting, clarify proposed budget revisions, and take action to address identified concerns (EC 42127(d)).
- By **October 22**, the county superintendent must provide CDE with a list of districts whose budgets may be disapproved (EC 42127(e)).
- By **November 8**, the county superintendent must formally notify CDE of any budget disapprovals and indicate whether a Budget Review Committee (BRC) will be formed or waived (EC 42127(f) & (g)).

County Superintendent Budget Review Responsibilities

- County superintendents should evaluate the following areas during the budget review process and **conditionally approve or disapprove budgets** that do not provide reasonable assurance the district can meet its financial obligations or resolve identified fiscal issues:
 - **Standards and criteria:** Review the budget for compliance with the [State Standards and Criteria for Fiscal Solvency](#) and identify necessary technical corrections (EC 33127 and 42127).
 - **Multiyear projections:** Evaluate the district's ability to meet its financial obligations for the current and subsequent two fiscal years (EC 42127(c)(2)).
 - **Estimated actuals:** Verify that the budget reflects estimated unaudited revenues, cash balances, and expenditures from the prior year (EC 42103(c)).

County Superintendent Budget Review Responsibilities (cont.)

- **Format and completeness:** Confirm that the budget includes a complete and itemized plan of estimated revenues and expenditures for the upcoming fiscal year, comparisons to the current year, and a cash flow report (EC 42122 and 42123).
- **Ending fund balance requirements:** Determine whether the ending fund balance exceeds the minimum recommended reserve for economic uncertainties. If so, verify that the district has publicly disclosed the excess amount and justified maintaining a higher fund balance (EC 42127(a)(2)(B)-(C) and 42127(c)(4)).
- **Fiscal distress reports:** Review relevant studies, reports, and audits that indicate fiscal distress or a moderate to high risk of insolvency (EC 42127(c)(2)).

Local Reserve Cap (EC 42127.01)

- **Reserve cap:** Proposition 2 established a 3% threshold for the Proposition 98 rainy day fund that, when met, triggers a 10% cap on districts' combined assigned and unassigned reserves.
- **CDE notification:** CDE notifies districts and county superintendents when the cap takes effect or no longer applies.
- **Exemptions:** Basic aid districts and districts with ADA of 2,500 or fewer are exempt.
- **Extraordinary circumstances:** County superintendents may grant two-year exemptions for extraordinary fiscal circumstances.

Local Reserve Cap (EC 42127.01) (cont.)

- **Exemption requirements:** Districts requesting an exemption must justify the need, identify related budget amounts, and show that no other fiscal resources are available.
- **Additional guidance:** FCMAT has published a related [fiscal alert](#) on its website.

Group Activity #1

Budget Approval Discussion

1. From an oversight standpoint, what are the primary risks and challenges county superintendent face when reviewing and approving district budgets?
2. How has your county office addressed these risks and challenges during the budget review and approval process?



Interim Reports and Certifications

Interim Reports Process

- **Interim reporting requirements:** Districts must submit two interim budget reports annually.
 - **First interim report:** Due December 15, reflecting the district's financial status as of October 31.
 - **Second interim report:** Due March 15, reflecting the district's financial status as of January 31.
- **Financial certification:** Districts must certify their ability to meet financial obligations for the current fiscal year and the two subsequent fiscal years (EC 42131(a)(1)).
- **County superintendent review:** County superintendents may revise a district's certification if they disagree with the its assessment and must notify the district and CDE **within 75 days** (EC 42131(a)(2)(A)).

Interim Reports Process (cont.)

- **Appeal process:** Districts may appeal certification changes to CDE, which must respond **within 10 days**.
- **Reporting requirements:** County superintendents must report all interim report certifications to the CDE and State Controller's Office (SCO) **within 75 days** of each reporting period (EC 42131(c)).
- **Qualified or negative certifications:** County superintendents must submit comments on these certifications to CDE and SCO, including any action proposed or taken by the district (EC 42131(a)(2)(B)).
- **Failure to submit interim reports:** The county superintendent may withhold state or county funds and suspend approval of district warrants if a district fails to submit a required interim report (EC 42128).

Interim Reports Process (cont.)

- **“Third interim” reporting:** LEAs with **qualified or negative second interim reports** must submit an updated financial report by June 1, reflecting financial activity through April 30 and projecting cash and fund balances through June 30 (EC 42131(f)).

Fiscal Certifications

- **Positive certification:** The district is projected to meet its financial obligations for the current fiscal year and the two subsequent fiscal years.
- **Qualified certification:** The district may not meet its financial obligations for either the current fiscal year or the two subsequent years.
- **Negative certification:** The district cannot meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.
- **Historical data:** See [FCMAT's website](#) for historical data on qualified and negative interim certifications.

Fiscal Certifications (cont.)

- **Certification status:** Qualified or negative certifications remain in effect until the next report.
- **Fiscal oversight authority:** County superintendent may exercise authority granted in [EC 42127.6](#), commonly referred to as the “**fiscal oversight toolkit**.”
- **Collective bargaining oversight:** The county superintendent must be given at least 10 working days to review and comment on labor agreements, assess their fiscal impact, and notify the district board of potential fiscal risks.
- **Debt issuance restrictions:** Districts must obtain county superintendent approval before issuing non-voter approved debt.

Fiscal Certifications (cont.)

- **Warrant authority:** The **Education Commissioner** or county superintendent can revoke a a fiscally accountable or fiscally independent district's authority to draw warrants (EC 42652).

Group Activity #2

Multiyear Financial Projection Review



1. Review the district's Second Interim MYP and board-approved positive certification.
2. Identify key assumptions, potential fiscal risks and areas requiring further review.
3. Develop questions for the district and identify the information or resources needed to verify your concerns.
4. Determine whether to confirm the positive certification or recommend a change. Explain your rationale.

Going Concern Process

Going Concern Process (EC 42127.6)

- A district is considered a “**going concern**” when it is fiscally sound and able to meet its financial obligations.
- A district is **not considered a going concern** when its fiscal condition places it at risk of insolvency.
- Under Education Code (EC) 42127.6(a)(1), the county superintendent must provide **written notice** if they determine that the district may be unable to meet its financial obligations in the current or next two fiscal years, or if the district receives a qualified or negative certification.
- The district may appeal the determination or any imposed interventions to CDE **within five days** (EC 42127.6(b)).
- The CDE must **sustain or deny the appeal within 10 days**.

Going Concern Process (EC 42127.6) (cont.)

- County superintendents must follow a progressive intervention process before using emergency fiscal powers:
 - **Review evidence** of fiscal distress, including studies, audits, and FCMAT reports.
 - **Investigate the district's financial condition** and ability to meet its obligations in the current and next two years.
 - **Determine the interim certification status** (qualified or negative).
 - **Notify the district board and CDE** of the determination in writing, including supporting rationale and assumptions.
 - **Take necessary actions** to support the district's fiscal recovery.
 - **Provide an opportunity for appeal** and allow for further findings and appeals before escalating interventions.

Fiscal Interventions (EC 42127.6(a)(1))

- To help a district meet its financial obligations, the county superintendent must take one or more of the following actions:
 - **Assign a fiscal expert**, funded by the county office, to advise the district.
 - **Conduct a financial study**, with costs shared between the district (75%) and county office (25%).
 - **Require financial projections** for the current and next two fiscal years.
 - **Direct fiscal controls**, including requirements for contract encumbrances, cash flow analyses, budget revisions, and recording of receivables and payables.
 - **Request a fiscal recovery proposal** from the district.
 - **Withhold compensation** from district leadership for failure to provide financial data, subject to appeal to the CDE.
 - **Assign FCMAT** to review teacher hiring, retention, and misassignments.

Emergency Powers (EC 42127.6(e))

- If fiscal distress continues, or the county superintendent determines that a significant fiscal event will have an immediate and severe impact on the district's ability to meet its financial obligations in the current or subsequent fiscal year, the county superintendent must:
 - Provide written notice to the State Board of Education (SBE), CDE, district board, district superintendent, and employee and parent organizations.
 - Include the rationale and assumptions supporting the determination, such as finding that the district is no longer a going concern.
- The district may appeal the determination to CDE within five days. CDE must sustain or deny all or part of the appeal within 10 days.

Emergency Powers (EC 42127.6(e)) (cont.)

- The county superintendent, in consultation with CDE, must take one or more of the following actions:
 - **Impose budget revisions**, in consultation with CDE and the district board.
 - **Stay or rescind board actions** that are inconsistent with the district's fiscal recovery.
 - **Help develop a multiyear financial recovery plan.**
 - **Help develop the next year's budget.**
 - **Appoint a fiscal advisor** to carry out these duties.
- These actions also apply to districts with **negative interim certifications**.

Best Practices for Issuing a Lack of Going Concern Determination

- **Address the letter** to the board members and mail copies to their home addresses.
- **Include all required parties** (e.g., recognized bargaining units and parent organizations).
- **Clearly state the basis** for the determination, citing specific indicators (e.g., FCMAT risk factors).
- **List applicable statutory options** under EC 42127(a)(1) and 42127.6(e)), clearly indicating which will be exercised.
- **Set specific, measurable outcomes** with short timelines and deadlines for district compliance.

Best Practices for Issuing a Lack of Going Concern Determination (cont.)

- **Cite the statutory appeal language** to inform the district of its right to appeal.
- **Communicate with CDE** regarding the determination and planned interventions.
- **Request that FCMAT review** the draft letter before finalizing it.

Additional Fiscal Interventions

- **Assembly Bill 139 audits:** County superintendents may request an **extraordinary audit** of a district's expenditures and internal controls when they have reason to believe that **fraud, misappropriation of funds, or other illegal fiscal practices have occurred** (EC 1241.5(b)).
- **Fiscal oversight reimbursements:** County superintendents may **request reimbursement from FCMAT** for eligible costs incurred while conducting fiscal oversight activities. ([County Office Reimbursements.pdf](#))
- **Reimbursement categories:** The Education Code identifies six reimbursement categories:
 - One for extraordinary audits.
 - Two for budgets disapproved by CDE following a BRC process or waiver.
 - Three for progressive intervention.

Group Activity #3

Going Concern Scenario

Review the following scenario, assess whether the district meets the criteria for a going concern, and recommend an appropriate course of action for the county superintendent.

- **Scenario: A district submits an interim financial report containing a material error in its multiyear projection that significantly affects its projected fiscal solvency. Despite the error, the district's board has approved a positive certification.**



Group Activity #3

Going Concern Scenario (cont.):

- How would you work with the district to identify, address and correct the error?
- Would your approach change based on the chief business official's(CBO) experience level (e.g., experienced vs. newly appointed)?
- What guidance would you provide to the county superintendent regarding next steps and resolution?
- How might your recommendations differ if the error occurred in the first interim report versus the second interim report?



Public Disclosures Responsibilities

Collective Bargaining

- **Public disclosure requirement:** Districts must publicly disclose the terms and costs of tentative collective bargaining agreements for the current and future fiscal years **before approval** (Government Code [GC] 3547.5(a)).
- **Applicable agreements:** Disclosure requirements apply to agreements with exclusive employee representatives (recognized bargaining units).
- **Public meeting requirement:** The terms and costs must be disclosed at a **public meeting** before the agreement becomes binding.
- **Affordability certification:** The **district superintendent and CBO must certify** that the district can afford the agreement for its full term (GC 3547.5(b)).

Collective Bargaining (cont.)

- **Budget adjustments:** The certification must identify and itemize any budget revisions necessary to meet the agreement's costs in each year.
- **Compensation oversight:** County superintendents must monitor salary and benefit changes for all employees, including those outside recognized bargaining units.
- **Disclosures:** LEAs should **disclose all compensation changes**, including those affecting individuals and unrepresented employees.
 - **1-2-3 Rule:** FCMAT recommends disclosing all changes impacting salary and benefit object codes.

Collective Bargaining (cont.)

- **Disclosure resources:** Templates are available on [FCMAT's website](#).
- **Budget revisions:** LEAs must **submit any necessary budget revisions within 45 days** of adopting a collective bargaining agreement (EC 42142).
 - **Failure to adopt revisions:** Districts that fail to adopt required budget revisions shall receive a qualified or negative certification on the next interim report (GC 3547.5).

CDE Guidance: Public Disclosures (Appendix I)

- **Proposed agreement:** Include a complete copy of the proposed collective bargaining agreement.
- **Compensation provisions:** Summarize key changes, including:
 - **Salary:** On-schedule and off-schedule increases, bonuses, and one-time payments.
 - **Health and welfare benefits:** Changes to coverage and employer contributions.
 - **Pay structure:** Step-and-column movement, longevity pay, overtime, and differentials
 - **Staffing:** Changes to teacher and classified staffing ratios.

CDE Guidance: Public Disclosures (Appendix I) (cont.)

- **Additional costs:** Identify **other provisions that increase costs**, such as class size reduction or additional staff development days.
- **Total compensation impact:** Report the **average percentage increase in total employee compensation** and estimate the LEA's cost of a 1% increase in total compensation.
- **Funding and assumptions:** Identify **funding sources** and key **assumptions** for the current and future years.
- **Nonfinancial provisions:** Highlight significant changes that do not directly affect costs, such as grievance procedures and arbitration.

Qualified or Negative LEA Requirements

- **Review period:** LEAs with qualified or negative certifications must provide the county superintendent **at least 10 working days** to review and comment on proposed collective bargaining agreements before ratification (GC 3540.2(a)).
- **Notification of fiscal concerns:** If fiscal concerns are identified, the county superintendent must notify the county board, district board, district leadership, and parent and teacher organizations within the 10-working-day review period (GC 3540.2(c)).
- **Financial disclosure:** Districts **must provide all financial information** necessary to assess the proposed agreement's impact (GC 3540.2(d)).

Qualified or Negative LEA Requirements (cont.)

- **County office requirements:** Similar provisions apply to county offices and single-district county offices, which must provide the SPI* at least 10 working days to review and comment on proposed agreements (GC 3540.2(e)).

*The SPI may be replaced by either the education commissioner or CDE.

Non-Voter Approved Debt

- **Advance notification:** Districts must notify the county superintendent and county auditor **at least 30 days** before approving non-voter approved debt (EC 17150.1(a)).
- **Applicable debt instruments:** Notification requirements apply to certificates of participation and debt instruments secured by real property, including revenue bonds and bond anticipation notes.
- **Required disclosures:** Districts must provide repayment schedules, issuance costs, and documentation demonstrating their ability to repay the debt.
- **Public review:** Within **15 days** of receiving the debt information, the county superintendent and auditor may publicly comment on the district's ability to meet its debt obligations.

Non-Voter Approved Debt (cont.)

- **Resources:** [Reporting requirements](#) and a [sample disclosure form](#) is available on FCMAT's website.

Additional Debt Approval Requirements

- **County superintendent approval:** Districts with qualified or negative interim report certifications must obtain county superintendent approval before issuing non-voter approved debt (EC 42133(a)).
- **Coordinated oversight:** FCMAT recommends that the county office collaborate with county auditors, whenever possible, to ensure that both entities are requesting the same information from districts.
- **County office requirements:** Similar provisions apply to county offices and single-district county offices, which must obtain review and/or approval from the CDE before issuing non-voter approved debt (EC 42133(b)).

OPEB Fiscal Oversight

- **Other postemployment benefits (OPEBs):** Include medical, dental, vision, prescriptions, and long-term care or disability benefits.
- **Disclosure requirements:** California State Standards and Criteria for Fiscal Solvency require districts to estimate and disclose unfunded OPEB and self-insured liabilities during budget adoption and interim reporting.
- **GASB 75 requirements:** OPEB liabilities must be reported on the balance sheet and actuarially evaluated (or assessed using an approved alternative method) at least every two years.
- **Fiscal distress reporting:** Actuarial reports identifying unfunded liabilities trigger fiscal distress reporting requirements under EC 42127.6(a)(1).
- **Insolvency risk:** FCMAT identifies high or unmanaged debt as a key risk factor for potential insolvency.

Workers' Compensation Fiscal Oversight

- **Annual disclosure:** Self-insured districts must annually disclose estimated accrued but unfunded workers' compensation costs to their boards.
- **Actuarial evaluation:** Estimates must be based on an actuarial report prepared by a qualified actuary at least once every three years.
- **Public board review:** Actuarial data must be presented at a public board meeting, where the board must decide whether to reserve funds or adjust the reserve.
- **Annual certification:** Boards must annually certify the amount reserved to the county superintendent (or CDE for county offices) and submit any necessary budget revisions (EC 42141).

Annual Audit Requirements

Audit Process and Requirements

- **Annual audit deadline:** By **May 1**, LEAs must contract for an annual audit (EC 41020(c)).
- **Charter school inclusion:** Charter schools are included in the annual audit and audit resolution process alongside districts, county offices of education and educational joint powers authorities (EJPAs) (EC 41020(v)).
- **Auditor qualifications:** Annual audits must be performed by a certified and licensed certified public accountant (CPA) listed in the [SCO directory](#), published annually by December 31 (EC 41020(i)(1)).
- **Audit partner rotation:** An accounting firm cannot audit an LEA if the same lead, coordinating or review audit partner served in that capacity for the six previous fiscal years (EC 41020(i)(2)).

Audit Process and Requirements (cont.)

- **Audit contract requirement:** In sufficient time to meet the audit filing **deadline**, county superintendents, **authorizers**, and the SCO must contract with an audit firm on behalf of any LEA that has not secured an audit contract (EC 41020(d)).
 - **Audit Guide noncompliance:** The county superintendent, education commissioner, SCO, or authorizer must notify the CPA and California Board of Accountancy when an LEA audit fails to comply with the *Audit Guide*, including repeated noncompliance over two years (EC 41020.5(a)).

Audit Process and Requirements (cont.)

- **Annual audit submission:** By **January 31**, LEAs must submit their annual audit reports to their applicable oversight agency and the SCO (EC 41020(k)).
- **Public review requirement:** Within **45 days of audit report issuance**, LEA boards must publicly review the audit, including any exceptions, corrective action plans, recommendations and findings (EC 41020.3(a)).

Audit Process and Requirements (cont.)

- **Corrective action plan deadline:** By **April 15**, school districts, EJPA's, and charter schools must provide a corrective action plan for any audit exceptions not addressed by a plan included in the audit to their respective oversight agencies.
 - **Oversight agency:** For purposes of this presentation, **the term** refers to the agency responsible for overseeing each LEA type:
 - **School districts and EJPA's:** County superintendent (county office).
 - **Charter schools:** Authorizers
 - **County superintendents (county offices):** education commissioner.

Audit Process and Requirements (cont.)

- **County superintendent responsibilities:** County superintendents must review district and EJPA audit reports for exceptions involving attendance, equipment inventory, internal controls, instructional materials program funds, school accountability report cards, teacher misassignments, and miscellaneous items (EC 41020(I)(1)(A)).
- **Authorizer responsibilities:** Authorizers must review charter school audit reports and exceptions and determine whether each exception has been corrected or an acceptable corrective action plan has been developed (EC 41020(m)(1)).

Audit Process and Requirements (cont.)

- **Certification deadline:** By **May 15**, charter authorizers must certify to the county superintendent that they have completed the following for charter schools under their jurisdiction (EC 41020(m)(2)(A)):
 - Reviewed all audit reports and exceptions and confirmed that each exception was corrected or that an acceptable corrective action plan is in place.
 - Identified attendance-related audit exceptions involving state funds and required the charter school to submit the appropriate reporting forms to the **education commissioner** for processing.

Audit Process and Requirements (cont.)

- **Corrective action plan deadline:** By **June 15**, or within **60 days of receiving the management decision letter**, the county superintendent must submit a corrective action plan to the **education commissioner** for any audit exceptions not addressed by a plan included in the audit (EC 41020(n)(2)(B)).

Audit Process and Requirements (cont.)

- **Certification deadline:** By **June 15**, the **county superintendent** must certify to the **education commissioner** and SCO that the following responsibilities have completed the following for districts, EJPAs, and charter schools under their jurisdiction (EC 41020(l)(2)):
 - Reviewed all audit reports and exceptions and confirmed that each exception has been corrected or that an acceptable corrective action plan is in place.
 - Identified LEAs with audit exceptions related to attendance or state funding.
- **Resolution of audit exceptions:** The county superintendent is responsible for requiring LEAs to submit appropriate reports to the education commissioner to resolve exceptions.

Audit Process and Requirements (cont.)

- **Audit review deadline:** By **June 15**, the **education commissioner** must review audits, address federal and state compliance exceptions, and identify any exceptions that have not been corrected (EC 41020(o)).
- **State loan oversight:** The SCO may conduct an audit or designate or approve an auditor for districts receiving state loans (EC 41320.1(e)).

Missed Audit Deadlines (EC 41020.2(a)-(b))

- **Missed audit submission deadline:** If an LEA fails to submit its annual audit report by January 31, the applicable oversight agency may take one of the following actions:
 - **Grant an extension*** after consulting with the LEA board and auditor and obtaining consent from the county superintendent, education commissioner and SCO. Extensions are subject to the following conditions:
 - The LEA and auditor must certify that unforeseen circumstances or complex situations prevent timely completion.
 - Extensions must be limited to the shortest reasonable period, granted in **increments of no more than 30 calendar days, and may not extend beyond March 31.**

Missed Audit Deadlines (EC 41020.2(a)-(b)) (cont.)

- **Contract with another audit firm** to complete the audit after consulting with the SCO, LEA board and auditors.
- **Request an SCO investigation** into the delay and take appropriate action.

Group Activity #4

Discussion on Annual Audit Requirements

1. How does your county office meet its annual audit review responsibilities? What challenges or successes have you experienced?
2. How does your county office plan to work with authorizers to support audit oversight and compliance?
3. What support, guidance, or resources will authorizers and charter schools need to comply with the new annual audit requirements?



Fiscal Oversight Evaluations

FCMAT Fiscal Oversight Reviews (EC 41326(I))

- **Initial Review:** FCMAT must evaluate the county superintendent's fiscal oversight of any school district receiving an emergency apportionment.
 - **Reporting deadline:** Within three months of the county superintendent assuming control of the district, FCMAT must report its findings to the Legislature, DOF, **education commissioner**, and SBE president.
 - **Report findings:** The report must address actions taken or not taken by the county superintendent and may include legislative recommendations to improve fiscal oversight.
- **Ongoing Review:** FCMAT must annually evaluate the effectiveness of the county superintendent's fiscal oversight.
- **Evaluation Tool:** FCMAT has developed a [tool](#) to assess county office fiscal oversight practices.

Your Feedback Matters – Day 1

Please take a few minutes to share your feedback about today's training.

1. **Open your camera:** on phone or tablet.
2. **Scan the QR code:** Tap the link that appears.
3. **Submit your feedback:** Share what worked and what could improve.



Thank you!

APPENDIX

APPENDIX: Annual Audit Requirements

Annual Audit Requirement	EC Code	Previous Deadline	2025-26 Audit & Forward Deadline
LEA audit contract: LEA deadline to contract with an independent auditor or make arrangements with applicable oversight agency to do so. (NEW)	41020(c)(1)(A), (c)(2)(A), (c)(3)	April 1	May 1
Oversight agency responsibility: If an LEA has not contracted for an independent audit by May 1, its applicable oversight agency must arrange for the audit.	41020(d)(1)-(3)	May 1 (COE)	In time to meet the January 31 submission deadline
Audit contract termination: If an audit contract is terminated or denied for renewal, the LEA and auditor must notify its applicable oversight agency, CDE, and the State Controller's Office (SCO). (NEW)	41020(i)(6)(A)	Within 30 calendar days of the effective termination date	Within 30 calendar days of the effective termination date

APPENDIX: Annual Audit Requirements (cont.)

Annual Audit Requirement	EC Code	Previous Deadline	2025-26 Audit & Forward Deadline
Annual audit report submission	41020(k)	December 15	January 31
Governing board or body reviews the annual audit report and audit exceptions at a public meeting.	41020.3(a)	January 31	Within 45 days after the audit report is issued
Districts & EJPAs submit corrective actions to their COE.	41020(l)(1)(B)	March 15	April 15
Charter schools submit corrective actions to their authorizers. (NEW)	41020(m)(1)(B)	N/A	April 15
Charter authorizers annually certify to their COE that they have performed their audit oversight duties for their charter schools. (NEW)	41020(m)(2)(A)	N/A	May 15

APPENDIX: Annual Audit Requirements (cont.)

Annual Audit Requirement	EC Code	Previous Deadline	2025-26 Audit & Forward Deadline
COEs submit corrective actions to the CDE.	41020(n)(2)(B)	N/A	Within 60 days of receiving the letter, but no later than June 15
COEs annually certify to CDE and SCO that they have performed their audit oversight duties for their districts, EJPA's and charter schools.	41020(l)(2)	May 15	June 15

Sources: [CDE's CAARO Update Issue #2026-10](#), [CDE's Key Dates for Annual Audit](#) and [Education Code 41020](#).