



CALIFORNIA
CHARTER
AUTHORIZING
PROFESSIONALS

CALIFORNIA CHARTER AUTHORIZING PROFESSIONALS

OUTLINE OF 2026-27 OMNIBUS EDUCATION TRAILER BILL

A FOCUS ON FISCAL PROVISIONS

March 3, 2026

TABLE OF CONTENTS

What May Change?	1
New Mandatory Duties for Authorizers.....	1
AUDITOR RESPONSIBILITIES.....	2
Conducting the Audit.....	2
Continuing Education & Qualification Requirements - (Beginning 2027-28)	2
Notification Requirements	2
Successor/Predecessor Auditor Rules	3
Going Concern	3
Filing Requirements	3
Restatement of Repeat Findings	4
AUTHORIZER RESPONSIBILITIES	5
Ensure Audit is Provided	5
Review Audit Exceptions (<i>New Core Oversight Mandate</i>)	5
Annual Certification	5
Investigate Late Audit Filings.....	6
Resolution of Audit Exceptions.....	6
Public Board Review	6
Controller Step-In Authority	6
SUMMARY OF KEY SHIFT AREAS FOR CHARTER SCHOOL AUTHORIZERS	8
BOARD BRIEF.....	9
Where Board-Level Risk Exists	9
Recommended Governance Safeguards	9
Strategic Takeaway	10
CONCLUSION	11

What May Change?

The Governor has proposed amendments in [omnibus education budget trailer bill](#) language to Education Code (EC) Sections 41020 and 14508 and related provisions that significantly expand formal audit oversight responsibilities for charter school authorizers and increase auditors' responsibilities. Additionally, the State Controller's intervention is expanded. As of this writing the bill has not been numbered, heard, or amended. This this outline summarizes the provisions as released.

Most of the proposals in the trailer bill were included in unsuccessful legislation from this past year, [Assembly Bill 84](#), which was not passed, and [Senate Bill 414](#), which was passed by the Legislature but vetoed by the Governor.

Under the trailer bill's proposed changes, some aspects of oversight no longer would be implied—they would be codified and attestable.

New Mandatory Duties for Authorizers

If these proposals are codified in law, then among other things the Authorizer will have to:

- ✓ Ensure each charter school secures an independent audit
- ✓ Review all audit exceptions
- ✓ Require corrective action plans by April 15 if missing
- ✓ Determine adequacy of corrective action plans
- ✓ Investigate late audit filings
- ✓ Certify compliance annually by May 15

Below is a quick-reference outline summarizing the proposed Auditor responsibilities and then the proposed Authorizer responsibilities, as to fiscal oversight. There is also a one-page brief for the boards of authorizing school districts and county offices of education, and a conclusion flagging certain issues not addressed by the trailer bill.

Additional trailer bill provisions would establish more requirements for the charter schools themselves. Other provisions address non-fiscal provisions, like the bill's extension through June 30, 2028, of the requirement that an Authorizer consider "verified data" approved by the State Board of Education in making a renewal decision over a charter school that falls in the low performance tier for renewals.

The trailer bill also proposes a significant redesign of education governance in California, including a very different role for the Superintendent of Public Instruction from under current law or, indeed, from the provisions summarized in this outline in the same bill as of now.

AUDITOR RESPONSIBILITIES

(Independent CPA / Audit Firm)

Conducting the Audit

Amendments within § 41020 describe the following:

The Auditor must:

- Conduct charter school audits in accordance with:
 - Government Auditing Standards Board, or Financial Accounting Standards Board in accordance with generally accepted auditing standards
 - Education Code Chapter 3 (commencing with § 14500 of Part 9 of Division 1 of Title 1)
 - The Guide for Annual Audits of K-12 Local Education Agencies
 - Consultation with the Authorizer
- Audit must review:
 - All funds
 - Income by source
 - Pupil attendance
 - Independent study
 - LCAP (Local Control Accountability Plan) expenditures
 - Internal controls
 - Inventory

Continuing Education & Qualification Requirements - (Beginning 2027-28)

The Auditor must:

- Maintain good standing with California Board of Accountancy
- Complete 16 hours of LEA-specific continuing education every two years
- Demonstrate experience with LEA audits
- Undergo pre-issuance review if new to LEA audits

These sections centralize auditor regulation under the Controller framework.

Notification Requirements

If an Auditor contract is terminated or not renewed by the Charter School:

- The Charter School and the Auditor must notify the following entities within 30 days and include the reason for termination:
 - The Authorizer (school district or county office of education)
 - The Superintendent of Public Instruction
 - The State Controller
- Note: This provision applies to all Local Educational Agencies (LEA), including school districts, which would have to notify the County Superintendent of Schools

Successor/Predecessor Auditor Rules

Before accepting a new engagement, an Auditor must:

- Review predecessor Auditor workpapers
- Inquire about:
 - The reason for the change in Auditors
 - Any information that might bear on the integrity of management
 - Any communication with management regarding fraud, illegal acts, noncompliance, or internal control matters
 - Management integrity
 - Disagreements with management
- Gain full context and information relevant to risk assessments

Going Concern

Incorporates auditing standards requiring “going concern” evaluation under SAS (Statement on Auditing Standards) 59 / AU-C (U.S. Auditing Standards—AICPA [Clarified]) 570

- The audit report must include:
 - Summary of audit exceptions
 - Management recommendations
 - Description of corrections or plans of correction

Filing Requirements

For the Charter School, the Auditor must ensure the report is filed by **January 31** with:

- The Authorizer
- The County Superintendent (unless the County Board is the Authorizer)
- The State Superintendent of Education
- The State Controller

Restatement of Repeat Findings

If prior exceptions are not corrected:

- The Auditor must restate the exception in the next audit report

AUTHORIZER RESPONSIBILITIES

(Authorizer referred to in Education Code as “chartering authority”)

Ensure Audit is Provided

By May 1 each fiscal year, the Charter School must:

- Provide for an independent audit, **or** make arrangements with the Authorizer

If the Charter School fails to provide for an audit by April 1, the Authorizer shall provide for the audit. The cost shall be paid by the Authorizer, and the Authorizer shall collect the pro rate share collected in oversight fees from the Charter School.

Review Audit Exceptions (*New Core Oversight Mandate*)

The Authorizer must:

- Review all audit and audit exceptions
- Determine whether:
 - Exceptions have been corrected; **or**
 - Acceptable plan of correction has been developed, **or** develop a plan
- Identify attendance exceptions

If no correction plan is included:

- Notify charter school
- Require submission by April 15

If the correction plan is inadequate:

- Require resubmission

Annual Certification

Required certification to the County Superintendent, or Superintendent of Public Instruction if a county board is the Authorizer, by May 15 that Authorizer has:

- Reviewed all charter audits
- Reviewed all required exceptions
- Ensured corrections or acceptable plans
- Identified attendance-related state fund exceptions
- Required reporting forms submission

(The County Board of Education has the same requirements.)

Investigate Late Audit Filings

If audit is not filed by due date, the Authorizer shall:

- Investigate the cause; and
- Initiate corrective action

The Authorizer may:

- Grant an extension (with State Controller & Superintendent of Public Instruction consent)
 - Max 30-day increments
 - Not beyond March 31
- Contract with another qualified Auditor
- Charge the cost to the Charter School

Note:

- If extension granted, late filing is NOT grounds for revocation/nonrenewal
- A market shortage of Auditors is not cause for revocation

(Possible State Controller intervention if not resolved.)

Resolution of Audit Exceptions

To resolve audit exceptions, the County Superintendent of Schools may:

- Consult with the Charter School; **or**
- Require the Authorizer to consult with the Charter School to resolve

If the Authorizer is a county board of education, the Superintendent of Public Instruction may require the County Board of Education to consult with the Charter School to resolve the exception.

Public Board Review

Within 45 days after the issuance of an audit report, the charter Governing Board must:

- Review the audit at a public meeting
 - The audit report, any exceptions identified in the audit, the recommendations or findings of the management letter, and any description of correction or plans to correct any exceptions or management letter issue
- Place the audit on the agenda

Controller Step-In Authority

Provides that the Auditor must:

- Consult with and inquire of the Authorizer during the planning stages of the audit to assist with identification of potential audit risks
 - Not limited to fiscal and compliance areas that the Charter School may not meet expectations, potential fraud risks, irregularities in observations and reporting
 - Includes other background information pertinent to the audit

Proposed provisions include specific mandates for:

- Auditor sampling of ratios
- Verification of attendance generated through independent study
- Large transfers of funds to individuals or organizations that exceed \$1 million or 10 percent of the total revenues and other sources, whichever is less, and requires a written explanation of the purpose for each of those funds

SUMMARY OF KEY SHIFT AREAS FOR CHARTER SCHOOL AUTHORIZERS

Under this proposal, authorizers have:

- **Expanded Formal Compliance Duties**
 - Explicit audit exception review mandate
 - Mandatory certification
 - Structured correction enforcement
 - Required investigation of late filings
 - Potential Controller follow-up review of their oversight

- **Reduced Discretion**
 - More standardized compliance expectations
 - Greater state-level monitoring of their oversight function

BOARD BRIEF

Proposed Charter School Audit Accountability Changes for Boards that Authorize Charters

Where Board-Level Risk Exists

1. Certification Liability (Highest Risk)

The May 15 certification is a formal statutory attestation.

If unsupported or inaccurate, it may expose the Authorizer to:

- State compliance findings
- Controller sampling review
- Public scrutiny
- Oversight performance challenges

2. Failure to Review or Document Exceptions

Authorizers must maintain evidence that:

- Each finding was reviewed
- Corrections or plans were evaluated
- Follow-up occurred

Lack of documentation = compliance vulnerability.

3. Controller Oversight Expansion

The State Controller may:

- Categorize audit findings by oversight responsibility
- Sample authorizer follow-up processes
- Review adequacy of corrective actions

This introduces a new state-level accountability layer over authorizers.

Recommended Governance Safeguards

To reduce risk exposure, the Board should:

- Adopt a formal Audit Review Protocol
- Calendar April 15 and May 15 deadlines annually
- Require written corrective action documentation
- Receive an annual staff summary before certification
- Maintain centralized tracking of findings and repeat issues

Strategic Takeaway

The proposal shifts authorizers from passive monitoring to statutorily accountable compliance reviewers.

Oversight now includes:

- Mandatory review
- Formal certification
- State sampling authority

Board awareness and documentation discipline will be critical.

ANNUAL AUDIT TIMELINE

Date	Requirement	Code Reference
April 1	Charter school must have secured Auditor	41020(a)(1)
May 1	Audit engagement finalized	41020(a)(1)
January 31	Audit filed	41020(h)
April 15	Corrective plan deadline (if required)	41020(i)(1)
May 15	Authorizer certification	41020(i)(2)

Failure at any step triggers mandatory Authorizer action.

CONCLUSION

The trailer bill fails to include some of the key provisions from Senate 414, nor does it address some of the controversies still unresolved at the time of the bill’s passage by the Legislature and veto by the Governor. Routine audits are not fraud audits designed to unearth disguised fraudulent activity, and a focus on auditing, while critically important, is fundamentally relatively more reactive than preventive.

Two reports issued by CCAP make additional recommendations for preventing fraud in our public schools and for addressing longstanding systemic shortcomings in California charter school authorizing:

1. [*Protecting California Public Schools Against Fraud*](#) (May 2024) makes 20 recommendations developed by a broad-based task force, 16 of which of “self-help” for local charter schools and authorizers, with the remaining four for state policymakers; and
2. [*Strengthening California’s Charter School Sector: Updating California’s Charter School Authorizing Functions and Funding*](#) (December 2025) makes five overarching findings and five overarching recommendations for ambitious reforms to address longstanding systemic problems in California—problems that, if unaddressed, CCAP believes the current trailer bill, even if commendable, may well prove inadequate to solve.

###