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Proposed Counsel for Highlands Community Charter and Technical Schools

UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA, SACRAMENTO DIVISION

In re	Case No. 26-25868
Highlands Community Charter and Technical Schools,	Chapter 11
Debtor and Debtor in Possession.	Judge: Hon. [●] Date: [●], 2026 Time: Place:

EXHIBITS IN SUPPORT OF DECLARATION OF JONATHAN RAYMOND IN SUPPORT OF CHAPTER 11 PETITION AND FIRST DAY MOTIONS

Highlands Community Charter and Technical Schools ("HCCTS" or, the "Debtor"), a California Non-Profit Corporation organized under the laws of the State of California, and the above-captioned debtor and debtor-in-possession in this voluntary chapter 11 case (the "Chapter 11 Case") filed on the date hereof (the "Petition Date") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), hereby submits the following exhibits in support of the *Declaration of Jonathan Raymond in support of Chapter 11 Petition and First Day Filings*.

Exhibit	Description	Page(s)
A	*Community Letters in Support of HCCTS and Its Mission*	3-33
B	*California Office of the State Auditor Report on HCCTS, Dated June 2025*	34-205
C	*Independent ADA Review and Final Report by Schoolhouse Partners, Revised February 19, 2026*	206-240

Dated: October 4, 2026

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

By */s/ Ori Katz*
ORI KATZ
Proposed Counsel for Highlands Community Charter and Technical School

EXHIBIT A:

COMMUNITY LETTERS IN SUPPORT OF HCCTS AND ITS MISSION

October 2, 2026

RE: Support for Highlands Community Charter & Technical Schools and Continued Access for Reentry Populations

To Whom It May Concern:

On behalf of the Anti-Recidivism Coalition (ARC), which works to support formerly and currently incarcerated people and strengthen pathways to successful reentry, I am writing to express our support for Highlands Community Charter and Technical Schools.

Highlands is not just a school. For adults navigating reentry from the justice system, access to education, English language instruction, high school completion, job training, and other pathways to self-sufficiency can be an essential part of rebuilding a stable life.

Highlands serves thousands of adult learners, including people working to overcome barriers to employment, education, and stability. These are the kinds of opportunities that can help people move forward successfully after involvement with the justice system.

We are aware of the audit findings and the serious concerns they raised. We are also encouraged by the reforms Highlands has implemented under Executive Director Jonathan Raymond across credentialing, governance, attendance, fiscal controls, compliance, and school operations.

If Highlands is forced to shut down, it is not only the institution that pays the price. The impact falls on students and community members who rely on education and workforce pathways as they work to build stability and move forward.

We urge you to recognize the reforms Highlands has undertaken and the importance of continued educational access for the people it serves.

This is not a moment for punishment. It is a moment for partnership.

Sincerely,

Junior Vargas
Director, ARC Sacramento

CalAsian Chamber of Commerce

calasiancc.org
(916) 446-7883
2125 19th Street, Suite 220
Sacramento, CA 95818

October 2, 2026

RE: **Support for the Continued Operation of Highlands Community Charter School and California Innovative Career Academy**

To Whom It May Concern,

On behalf of the California Asian Pacific Chamber of Commerce (CalAsian), I write to express our full support for the continued operation of Highlands Community Charter and Technical Schools (Highlands) and California Innovative Career Academy (CICA). Joining business, workforce, community, faith, and education organizations across the Greater Sacramento region and throughout California, we stand behind Highlands as a long-standing educational partner that has served tens of thousands of adult learners.

Highlands and CICA currently serve approximately 2,000 students and support a substantial workforce and network of community partners, vendors and employers. An abrupt closure would cause immediate and irreparable harm not only to the schools, but to thousands of students, families and employees who depend upon their continued operation. It would also have significant short- and long-term consequences for the communities and regional economy in which these students and employees live and work.

Highlands serves a population with few comparable alternatives

Highlands is not a traditional high school. It serves adults who have not earned a U.S. high school diploma, including immigrants and refugees, English-language learners, working parents, low-income adults, people of color, and individuals seeking a second chance at education. For many students, graduation represents the first U.S. high school diploma earned in their family. These students cannot simply be transferred to another traditional public school.

Highlands' unique K–12 funding model enables it to combine high school diploma completion, English-language development, Career Technical Education, workforce preparation, and wraparound student services within a single program. This model is particularly important for adults balancing education with employment, children, transportation, language barriers, and other responsibilities. Adult schools and community colleges provide critically important educational opportunities, but they are not an interchangeable substitute for this model. There is no identified institution prepared to immediately absorb this student population and replicate the combination of diploma completion, English-language development, career training, and individualized support they currently receive.

For many of these students, closure would not mean changing schools. It could mean the end of their education.

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Closure would have a significant regional economic impact

Highlands and CICA students live, work, and raise families throughout the Greater Sacramento region. The schools also support a substantial workforce and purchase goods and services from local businesses, landlords, vendors and contractors. Historical economic analysis of Highlands demonstrated that its operations, employees, students and related spending generated tens of millions of dollars in regional economic activity and supported hundreds of direct and indirect jobs. While the size and operations of the schools have changed over time, the analysis demonstrates the broader economic activity associated with an educational institution of this scale.

School expenditures become revenue for local businesses, while employee wages become household spending on housing, groceries, childcare, and services. Vendors and contractors employ additional workers, and students themselves earn and spend money throughout their communities. The result is an economic footprint that reaches businesses, workers and households well beyond Highlands itself.

There is also a longer-term economic impact that is more difficult to quantify. Highlands and CICA provide a direct bridge between education and employment. Students can earn a high school diploma while receiving Career Technical Education and occupational training designed to move them into the workforce and toward jobs capable of supporting themselves and their families. Every student who earns a diploma, develops an occupational skill and moves into higher-wage employment has the potential to increase household income, reduce reliance on public assistance, fill an employer's workforce need and create greater economic stability for a family. Closure would interrupt that pipeline immediately.

The harm would fall disproportionately on vulnerable students and families

Highlands serves refugees rebuilding their lives in the United States, immigrants learning English, adults from low-income households, working parents, people of color and individuals who have spent years outside the traditional education system. Historical economic analysis found that approximately 99 percent of Highlands students came from low-income households.

For some students, continued enrollment also intersects with federal, state, and local assistance, refugee-support programs, and other public benefits and services. Abruptly disrupting enrollment could therefore have consequences that extend well beyond education, including disruptions to household stability and existing public and community support systems.

The immediate effects are foreseeable: disrupted education, jobs placed at risk, lost wages and local economic activity, interruption of workforce training, and instability for students and their families. The longer-term effects are more difficult to quantify but even more consequential. Students close to earning a diploma may never complete it. Adults completing occupational

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training may lose their pathway into higher-wage employment. Refugees learning English while preparing to enter the workforce may lose access to both opportunities. Working parents seeking to become the first in their families to earn a U.S. high school diploma may lose an opportunity that took years to reach.

A high school diploma and career training can change an entire household's economic trajectory. When an adult learns English, earns a diploma, develops an occupational skill and moves into employment paying a livable wage, the benefit extends to their children, their employer and their community. The opposite is also true. Lost future wages, interrupted careers, increased reliance on public assistance, lost workers for regional employers, and the generational effects of educational disruption could reverberate throughout the Greater Sacramento region for years.

Continued operations preserve educational, community and economic value

Whatever disputes may exist regarding Highlands and CICA, the students enrolled today did not create those disputes. Neither did their families, their employers or the communities in which they live and work. Maintaining school operations preserves the educational progress of these students, employment and household income for the schools' workforce, relationships with local vendors and community partners, and an established workforce-development pipeline serving the regional economy.

An abrupt closure would immediately destroy much of that value while transferring many of the resulting costs to students, families, employees, employers and the surrounding community. There is no identified institution capable of immediately absorbing this student population and providing the same combination of high school diploma completion, English-language development, career training and wraparound support. Once students are displaced, employees separated and programs dismantled, much of that damage may be difficult or impossible to reverse.

The consequences of closure are therefore both immediate and long-term. Students would have their education disrupted, jobs and wages would be placed at risk, local economic activity would be lost, and an important workforce-development pipeline would be interrupted. Immigrant, refugee and low-income communities would bear a significant share of the immediate harm, while the longer-term consequences of disrupted educational and career pathways would ripple across families, employers and communities throughout the region.

For these reasons, we strongly support the continued operation of Highlands Community Charter School and California Innovative Career Academy while the issues surrounding the organization are resolved. Preserving operations protects students, families, employees and the broader community from avoidable and irreparable harm while preserving the educational, workforce and economic value of an institution upon which thousands of people currently depend.

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Sacramento, CA 95818

Sincerely,

Pat Fong Kushida

Pat Fong Kushida
President & CEO
California Asian Pacific Chamber of Commerce

October 2, 2026

RE: In Support of Highlands Community Charter — A Lifeline for Immigrant and Latino Families

To Whom It May Concern:

On behalf of the California League of United Latin American Citizens (LULAC), one of the nation's oldest and most active voices for civil rights, education, and opportunity in Latino and immigrant communities, we write today to express our strong support for Highlands Community Charter and Technical Schools and to urge you to allow the school the opportunity to rebuild, not be dismantled.

Highlands has served as a lifeline to thousands of our community members — adults who have immigrated to this country in search of a better life, who never had the chance to complete their education, or who are working parents seeking a second chance. For more than a decade, Highlands has provided free English language instruction, high school diploma programs, and career training to immigrants, refugees, and returning citizens who would otherwise be excluded from California's public education system.

Yes, there have been serious challenges. The state audit revealed significant failures in governance and compliance. But those failures belong to the past, and Highlands is now firmly on a new path forward. Under the leadership of Jonathan Raymond, a nationally recognized education reformer and former superintendent of Sacramento City Unified, the school has taken substantial action to reform its governance, overhaul credentialing, strengthen attendance protocols, improve fiscal controls, and increase transparency.

But if we close the doors now, if we cut funding and walk away, the people who will suffer are not administrators. They are students. They are families. They are immigrants, refugees, and working-class Latino adults who are finally building better lives. They are the Californians we say we want to serve.

This is a defining moment. We urge you to give this institution and its students a chance to succeed. We ask that you support the reforms underway and protect the critical educational access that Highlands provides to some of the most marginalized yet motivated learners in our state.

If you care about immigrants, second chances, and California's future, you care about saving Highlands.

Sincerely,

Jacob Sandoval

California LULAC, State Director

National LULAC Board Member

CALVARY
CHRISTIAN CENTER

October 2, 2026

RE: Support for Highlands Community Charter and Technical Schools

To Whom It May Concern:

On behalf of Calvary Christian Center, I write to you not just as a pastor, but as a witness to redemption.

For over a decade, Highlands Community Charter and Technical Schools has opened its doors to thousands of adult learners—many of them immigrants, refugees, parents, and returning citizens seeking not just education, but a second chance at life. At every Highlands graduation we've attended, we've seen the power of that second chance: tears of joy, families reunited, cycles of hardship broken. These are not just diplomas—they are declarations of hope.

Yes, the state audit has made it clear that past leadership at Highlands fell short in important ways. But let me be clear: the Highlands of today is not the Highlands of yesterday. Under Executive Director Jonathan Raymond, with comprehensive reforms now implemented across the organization, we see a school owning its mistakes, committing to transparency, and rebuilding from the ground up. That's not something to punish—it's something to support.

Highlands has always served the very people society often overlooks. And now, as the school itself seeks a second chance, we believe it deserves the same grace it has given to so many. Closing Highlands would not hurt the powerful—it would devastate the vulnerable. And we cannot let that happen.

Calvary Christian stands with Highlands because we believe in redemption. We believe in the power of education to transform lives. And we believe that giving up on Highlands now would be giving up on the thousands of Californians who still need it.

Thank you for considering the people and communities who need Highlands most.

Sincerely,
Dr. Phillip Goudeaux
Pastor
Calvary Christian Center

California Charter Schools Association

October 2, 2026

Members of the Advisory Commission on Charter Schools
California State Board of Education
1430 N Street, Suite 5111
Sacramento, CA 95814

Re: Revocation of the Charters of Highlands Community Charter School and California Innovative Career Academy

Dear Members of the Advisory Commission on Charter Schools:

We write regarding Agenda Items 02 and 03 and the California Department of Education's ("CDE") proposed recommendations that the State Board of Education ("SBE") uphold the Twin Rivers Unified School District's ("TRUSD" or "District") revocation of the charters of Highlands Community Charter School ("HCCS") and California Innovative Career Academy ("CICA") (collectively, "Highlands").

CDE's analysis relies heavily on the premise that Napa Valley Unified School District v. State Board of Education (2025) 110 Cal.App.5th 609, concludes that the SBE's review of a charter revocation is governed by the substantial evidence standard and does not permit the SBE simply to reweigh conflicting evidence and substitute its judgment for that of the chartering authority. However, that principle does not resolve the issues presented here. The issue here is the proper interpretation and application of Education Code section 47607 and its implementing regulations.

1. **CDE improperly conflates the deadline for responding to the NOV with a deadline for completing every remedy.**

CDE repeatedly emphasizes that Highlands had not completed certain corrective actions by September 26, 2025. It relies on that fact to discount actions taken thereafter, including submission of additional documentation, termination of leases, correction of attendance records, and other remedial measures. CDE ultimately concludes that the substantial evidence inquiry does not ask whether revocation was "warranted," but instead whether there is any

evidence in the record that supports TRUSD's findings. That analysis overlooks the language of the governing regulation.

Title 5, California Code of Regulations, section 11968.5.2 expressly permits a charter school responding to an NOV to identify either the "remedial action taken" **or** the "proposed remedial action." By expressly permitting a charter school to propose remedial action in its timely response, the regulation contemplates circumstances in which the corrective action will not yet be fully completed when the response is submitted. Accordingly, September 26 was the deadline for Highlands to respond to the NOV and identify the actions taken or proposed to address the alleged violations. It does not follow that every proposed remedy had to be fully accomplished by that same date.

2. **The reasonableness of the opportunity to cure must be evaluated in relation to the particular remedy required.**

CDE similarly concludes that Highlands received a reasonable opportunity to cure because the September 26 deadline fell "more than three months after the NOV was issued." But the regulations do not measure reasonableness simply by counting the number of days provided. In establishing a remedy period, the chartering authority must consider the amount of time reasonably necessary to remedy each identified violation. That distinction is particularly important with respect to the alleged grade-level and location violations.

Highlands could not unilaterally approve a material revision to its charter. The remedy Highlands proposed required action by TRUSD itself. Highlands submitted a material revision request intended to authorize the disputed grades and locations. TRUSD did not act on that proposed remedy until December 2, when its Board denied the material revision request. Yet CDE faults Highlands for failing to abandon that proposed remedy and return to the preexisting terms of its charter before September 26.

That reasoning creates an untenable cure process. Highlands was effectively required to anticipate that TRUSD would reject a proposed remedial action that TRUSD itself had not yet considered and then complete an alternative remedy before the Board ruled on the first. More importantly, CDE's approach cannot readily be reconciled with a regulation expressly permitting a charter school to identify a "proposed remedial action" in response to an NOV. If a proposed remedy necessarily requires subsequent action by the chartering authority, the school cannot be faulted for failing to complete that remedy before the chartering authority has acted upon it.

3. **The December 2 denial of the material revision cannot be separated from the question of whether Highlands received a meaningful opportunity to cure.**

CDE reasons that because TRUSD did not deny the material revision until December 2 – more than two months after September 26 – the denial "could not have affected Highlands' opportunity to remedy before the deadline." That conclusion depends entirely upon CDE's premise that September 26 was the date by which Highlands was legally required to have completed every remedy.

If, as the regulation indicates, Highlands was permitted to timely propose remedial action that would necessarily be completed thereafter, the December 2 decision becomes directly relevant. Highlands proposed a path to compliance through a material revision. TRUSD retained control over whether that remedy would be approved. Until December 2, Highlands did not know whether the District would accept or reject that proposed cure. CDE instead concludes that Highlands should have reverted to the existing charter terms while awaiting TRUSD's decision. But that amounts to requiring Highlands to abandon the remedy it had proposed before TRUSD decided whether to approve it. At a minimum, this raises a substantial question whether Highlands was afforded the meaningful opportunity to remedy contemplated by section 47607 and the governing regulations.

4. **CDE's analysis gives insufficient significance to the District staff's January determination that the violations had been sufficiently refuted or remedied.**

Although CDE correctly observes that TRUSD's governing board – not District staff – possessed the ultimate authority to revoke Highlands' charter, that does not make the District staff recommendation irrelevant. The significance of the January 27 staff recommendation is about evidence, not about who has ultimate jurisdiction over the decision. CDE acknowledges Highlands' contention that, after reviewing the evidence and corrective actions submitted by Highlands, District staff concluded that all violations had been sufficiently refuted or remedied and recommended that the Board cease the revocation process. However, then CDE responds that the Board was not bound by staff's recommendation and that the recommendation relied upon documentation submitted after the September 26 remedy period.

This again assumes the answer to that central issue discussed above: whether post-September 26 corrective evidence could legally be considered in determining revocation. If subsequent corrective action could properly be considered – and the regulatory authorization of "proposed remedial action" strongly indicates that it can – then the District staff recommendation becomes highly relevant. The District's own professional staff reviewed the corrective evidence immediately before the final revocation decision and concluded that the violations had been sufficiently refuted or remedied.

Therefore, the relevant question therefore is not whether the Board was "bound" by its staff recommendation, but the question is whether the Board made the written factual findings required by Education Code section 47607(h), supported by substantial evidence, identifying

what violations remained unremedied notwithstanding the evidence upon which its own staff had concluded otherwise.

5. **Incorporation of the November NIR does not necessarily establish sufficient findings supporting the January 30 final revocation decision.**

CDE also rejects Highlands' argument that TRUSD failed to cite specific evidence supporting the final revocation decision because the Board's resolution incorporated the November 4 Notice of Intent to Revoke ("NIR"), which identified evidence supporting the alleged violations. But the NIR and the final revocation decision served different purposes and were issued nearly three months apart.

The November 4 NIR addressed whether sufficient grounds existed at that point to continue the revocation process. Education Code section 47607(h), however, separately requires the chartering authority's final decision to include written factual findings, supported by substantial evidence and specific to the charter school. That distinction matters, particularly where material circumstances changed between November 4 and January 30.

Here, corrective evidence was submitted during that intervening period, corrective actions occurred during that period, and, most significantly, the District's own staff evaluated that evidence and, immediately before the Board's final decision, concluded that the violations had been sufficiently refuted or remedied. Under those circumstances, incorporation of the November NIR does not necessarily answer the relevant January question: what substantial evidence supported a finding, at the time of the final decision, that the violations remained sufficiently unresolved to support revocation? Highlands is not asking the SBE simply to choose district staff's factual conclusion over the Board's. Rather, the issue is whether the Board made the final written factual findings required by section 47607(h) addressing the materially changed record upon which its own staff had concluded that revocation should not proceed.

6. **The relevant issues are not resolved by Napa Valley because they present threshold questions of law rather than requests to reweigh conflicting evidence.**

Finally, CDE relies heavily on Napa Valley and the substantial evidence standard. CDE states that SBE must resolve evidentiary conflicts in favor of TRUSD unless no reasonable person could have reached the same conclusion. But Highlands' arguments cannot all be characterized as requests to reweigh evidence. Before applying the substantial evidence standard, the SBE must determine what the statute and regulations actually require.

CDE ignores several issues presented here concerning the meaning and operation of section 47607 and its implementing regulations. Their recommendation rests on a premise that deserves considerably closer scrutiny – that September 26, 2025 functioned as an absolute deadline by which Highlands was required to have completely cured every alleged violation,

such that subsequent corrective actions could not meaningfully affect TRUSD's ultimate decision to revoke the charter. The governing regulations do not say that. To the contrary, they expressly permit a charter school to respond to an NOV by identifying either remedial action already taken or ***proposed*** remedial action. Once that distinction is recognized, much of the subsequent record takes on considerably greater significance. Highlands proposed corrective action within the remedy process, some remedies depended upon subsequent action by TRUSD itself, Highlands continued taking corrective action, District staff continued receiving and evaluating that evidence, and, immediately before the final decision, District staff concluded that the violations had been sufficiently refuted or remedied and recommended against revocation.

The question is not whether the SBE should substitute District staff's judgment – or Highlands' judgment – for that of the TRUSD Board. The question is whether TRUSD's final January 30 decision contains the written factual findings required by section 47607(h), supported by substantial evidence under the correct interpretation of the statutory and regulatory cure process. Napa Valley does not authorize an agency to resolve a question of statutory or regulatory interpretation by simply labeling it a factual conflict and invoking substantial evidence review.

For these reasons, we respectfully urge the ACCS to closely examine the legal premises underlying CDE's recommendation and recommend that the SBE overturn the revocation of Highlands Community Charter School.

Respectfully submitted,



Michelle Lynch
Deputy General Counsel
CCSA

IACEC
Iranian American Cultural & Educational Center

October 2, 2026

RE: Support for Highlands Community Charter and Technical Schools

To Whom It May Concern:

On behalf of the Iranian American Cultural and Educational Center (IACEC), I write to you today not out of obligation, but out of deep concern — and even deeper hope.

For more than a decade, Highlands Community Charter and Technical Schools has served as a vital partner in our work to uplift and support Iranian-American immigrants and refugees in the Sacramento region. For many of our community members, Highlands has offered more than a second chance — it has offered the first real opportunity to learn English, complete high school, find a job, and contribute to their new home with pride and dignity.

We are aware of the audit and the findings it revealed. We do not excuse the past — but we also do not believe in giving up on a school that has meant so much to so many. What we have witnessed is a genuine transformation. Under Executive Director Jonathan Raymond, Highlands has implemented sweeping reforms across governance, credentialing, attendance, financial controls, oversight, and school operations.

But even as these reforms move forward, the risk of closure remains dangerously real. And if Highlands is forced to shut its doors, it won't be the adults in charge who suffer most — it will be the students. The immigrants. The refugees. The single mothers learning English. The families striving for independence. The people we work with every day. They will be the ones left with nowhere else to go.

That is why we are proud to support Highlands Forward and the school's continued reform work. This is about accountability, yes — but also about equity. Compassion. And the courage to fix, not just condemn.

We respectfully urge you to support Highlands' reform efforts and give the current leadership the opportunity to continue strengthening this institution — and preserve the lifeline it represents for thousands of Californians.

Sincerely,

Moe Golshani
CEO, Iranian American Cultural and Educational Center
916-918-3098

La Familia COUNSELING CENTER
COMMUNITY · CULTURE · CARE

October 2, 2026

RE: Support for Highlands Community Charter and Technical Schools

To Whom It May Concern:

On behalf of La Familia Counseling Center, I write to express our full and continued support for Highlands Community Charter and Technical Schools (Highlands), a critical partner in our collective mission to empower underserved communities in Sacramento and across California.

For over a decade, Highlands has stood as a transformative institution for thousands of immigrant and refugee adults, returning citizens, and working families who seek education, dignity, and a second chance. We have seen firsthand how access to English language learning, high school diplomas, and career training helps lift families out of poverty and empowers parents to build stronger futures for their children.

Yes, Highlands made mistakes. The audit made that clear. But we also believe that the true test of a public institution is how it responds to challenges. And under the leadership of Executive Director Jonathan Raymond, Highlands is demonstrating the kind of integrity and reform-minded urgency we should all want in our public systems.

Since the audit, we have witnessed a sweeping overhaul that includes:

- Strengthening executive and academic leadership
- Overhauling credentialing and attendance systems
- Strengthening school operations, oversight, and accountability

This is what rebuilding looks like. This is what accountability in action looks like.

To dismantle Highlands now would not only punish a school—it would punish the very communities California has pledged to uplift: immigrants, refugees, returning citizens, and adult learners with nowhere else to turn. We are urging you: don't let bureaucratic retroactivity override human impact. Don't let political pressure drown out stories of redemption.

If we truly believe in equity, second chances, and investing in California's most vulnerable, then we must give Highlands the time and space to rebuild and keep serving those who need it most.

Thank you for your consideration—and for standing with our communities.

Sincerely,

Rachel Rios
Executive Director
La Familia Counseling Center
5523 34th Street • Sacramento, CA 95820
916-452-3601

LAO FAMILY
COMMUNITY
DEVELOPMENT

October 2, 2026

RE: Support for Highlands Community Charter and Technical Schools

To Whom It May Concern:

On behalf of Lao Family Community Development Inc., I write to express our deep and continued support for Highlands Community Charter and Technical Schools (HCCTS), which has for over a decade served as a lifeline for tens of thousands of adult learners—including many of the families we proudly serve.

As an employment and economic mobility organization working directly with refugee, reentry, foster youth, and low-income adult populations, we've seen firsthand how access to education changes lives. Highlands has consistently opened its doors to those who've been turned away elsewhere—offering English language instruction, high school diplomas, career and technical training, and, above all, a second chance.

The state audit rightfully identified serious failings under prior leadership. But the answer cannot be to abandon Highlands or the people it serves. Under Executive Director Jonathan Raymond, Highlands has implemented sweeping reforms across credentialing, board accountability, financial controls, attendance systems, staffing, and school operations.

If Highlands were to close, thousands of our community members—immigrants, adult learners, and second-chance citizens—would lose access to the very resources that allow them to contribute to California's workforce and support their families.

We respectfully ask that you recognize Highlands' critical role and recognize the work its current leadership has undertaken to strengthen the school and move Highlands forward.

With appreciation for your consideration and partnership,

Sincerely,

Kathy Chao Rothberg
CEO, Lao Family Community Development Inc.
krothberg@lfcd.org
(510) 533-8850

Mack Road Partnership
75 Quinta Court Ste. D
Sacramento, CA 95823

October 2, 2026

RE: Highlands Community Charter: A Critical Community Partner

To Whom It May Concern:

On behalf of the Mack Road Partnership, I write today not with a form letter or a prepared statement—but from the heart, as a South Sacramento leader who has seen what Highlands Community Charter means to the people we serve.

Highlands is not just a school. It's a lifeline. For more than a decade, it has been one of the only places where newly arrived immigrants, adult learners, and returning citizens can come to learn English, earn a high school diploma, and train for jobs that support their families. In our neighborhood, where barriers are high and opportunity often feels out of reach, Highlands has bridged gaps and built hope.

We know the state audit raised serious concerns. But we also know this: under current leadership, Highlands is owning its past, acting urgently, and making real change.

- Executive Director Jonathan Raymond continues to lead the school's reform work.
- Credentialing and staffing systems have been restructured to strengthen compliance.
- School operations have been consolidated to strengthen oversight and accountability.
- New attendance, oversight, and fiscal systems have been implemented.

We've seen this work firsthand. Highlands was the right partner when we needed to help refugee families navigate a new language and new economy. They didn't just show up—they walked with people through it. Closing Highlands would be a devastating blow not only to its adult learners, but to every organization like ours trying to give South Sacramento the tools to thrive.

We urge you not to judge this school solely by its past, but to stand with the community that believes in its future. Give the current leadership the chance to continue strengthening something important for our neighborhoods, our workforce, and our state.

Thank you for considering the real-world impact this decision will have.

Sincerely,

Bill Knowlton
Executive Director, Mack Road Partnership
Bill.knowlton@mackroadpartnership.com | 916-747-5650

October 2, 2026

RE: Support for Highlands Community Charter and Technical Schools

To Whom It May Concern:

On behalf of the Sacramento Chapter of the National Action Network (NAN), we write to urge your leadership in ensuring the continued operation of Highlands Community Charter and Technical Schools—an institution that has provided thousands of Californians with a second chance at education, dignity, and opportunity.

As an organization founded on the principles of Dr. Martin Luther King Jr., NAN exists to advocate for economic justice, educational access, and the empowerment of underserved communities. Highlands embodies those principles. It serves thousands of second-chance learners—many of them immigrants, refugees, formerly incarcerated individuals, and working parents. For these students, Highlands is not simply a school—it is a pathway to economic mobility, stability, and renewed purpose.

We recognize that Highlands has faced serious challenges, and the findings in the state audit are cause for concern. But we also believe in the power of transformation. Under Executive Director Jonathan Raymond, Highlands has implemented broad reforms across credentialing, governance, attendance, academic systems, operations, and public accountability.

To close Highlands now would not only punish the institution—it would punish the very people California claims to stand for: second-chance learners who have nowhere else to go.

We ask that you recognize both the need for accountability and the reforms Highlands has undertaken, while preserving continued access for the students and communities it serves.

California cannot afford to turn its back on these students as Highlands continues its reform work.

Thank you for considering this letter and for your commitment to equity, education, and justice.

With respect,

Rev. Dr. Tecoy Porter
President
National Action Network – Sacramento Chapter

October 2, 2026

RE: Support for Highlands Community Charter and Technical Schools

To Whom It May Concern:

On behalf of the Russian Library and Literacy Center, I write to you with deep concern—and even deeper hope—for the future of Highlands Community Charter and Technical Schools.

For years, Highlands has been a lifeline for newly arrived refugees and immigrants from Eastern Europe and beyond, including many of the families we work with every day. Our organization has referred countless individuals to Highlands, knowing they will find more than just education—they will find community, opportunity, and belonging.

We recognize that serious issues from past leadership were revealed in the audit. Those mistakes cannot and should not be ignored. But neither can the progress made since then.

Under Executive Director Jonathan Raymond, Highlands has overhauled systems across credentialing, attendance, oversight, governance, and accountability. Policies and school operations have changed substantially as the reform work has continued.

We support these reforms. But we also support the mission. Because while audits focus on numbers, we see people. And what we see are refugees learning English, earning diplomas, and finding jobs that allow them to provide for their children. That work must continue.

Highlands isn't just another school. It is one of the few places where adult learners—especially immigrants and reentry citizens—can begin again. Shutting Highlands down now would not serve justice. It would serve devastation, especially for the vulnerable people we are all here to uplift.

Please recognize the reforms that have taken hold and give Highlands the chance to continue serving Californians who depend on its programs.

Thank you for your consideration.

Sincerely,

Taisia Suvorova
Director
Russian Library & Literacy Center
Sacramento, CA

sacramento ASIAN PACIFIC chamber of commerce

October 2, 2026

RE: Support for Highlands Community Charter and Technical Schools (HCCTS)

To Whom It May Concern:

On behalf of the Sacramento Asian Pacific Chamber of Commerce, I am writing to express our continued support for Highlands Community Charter and Technical Schools (HCCTS)—a valued partner in workforce development and immigrant integration for more than a decade.

Highlands has opened doors for thousands of Californians who would otherwise be shut out of our economy: new immigrants learning English, working parents finishing high school, and adults receiving job training for the first time in their lives. They've built something powerful—a direct, no-cost pathway to self-sufficiency and civic contribution.

Yes, the audit uncovered serious issues—and it's clear that past leadership failed to meet the standards of transparency and stewardship that taxpayers deserve. But let's be equally clear: the community Highlands serves is not responsible for those failures. And the current leadership is not running from them.

Under Executive Director Jonathan Raymond, Highlands has implemented sweeping reforms:

- Credentialing and staffing systems have been overhauled to strengthen compliance
- School operations have been consolidated to strengthen oversight and accountability
- Academic and operational leadership has been strengthened to drive quality, accountability, and fiscal integrity
- Systems for attendance tracking, contract oversight, and financial accountability have been strengthened
- The board and governance systems have been restructured to improve oversight

These are not words. They are actions. And as a Chamber committed to economic empowerment and equity, we believe this level of reform deserves time and partnership—not abandonment.

If Highlands is shut down, it's not a headline—it's a disaster. Thousands of immigrant workers, small business employees, and community members will lose access to the very tools they need to thrive in California's economy. We will feel that ripple effect across the Sacramento region and the state.

We urge you to recognize the progress Highlands is making, the leadership now in place, and the thousands of lives that hang in the balance. Please support a path forward that prioritizes accountability, reform—and the right of every Californian to a second chance.

Thank you for your consideration,

sacramento ASIAN PACIFIC chamber of commerce

Sincerely,

Pat Fong Kushida
President & CEO
Sacramento Asian Pacific Chamber of Commerce

October 2, 2026

RE: Support for Highlands Community Charter and Technical Schools

To Whom It May Concern:

For more than a decade, Saint John's Program for Real Change has partnered with Highlands Community Charter and Technical Schools to help women and families in crisis chart a path toward a stable, independent life.

The women we serve—most of them fleeing abuse, poverty, or homelessness—face monumental barriers to reentering the workforce and rebuilding their lives. At Highlands, they find hope. They find a second chance.

Through free English language instruction, high school diplomas, and career training programs, Highlands has helped hundreds of our program participants gain not just education, but dignity, employability, and purpose. We have stood proudly at their graduation ceremonies and watched them walk across the stage with pride. Their children watched, too.

We know the audit findings revealed serious problems under prior leadership. But we also know that current leadership has confronted those problems directly. Under Executive Director Jonathan Raymond, Highlands has implemented reforms across credentialing, school operations, financial controls, governance, and oversight. These are the real steps toward transparency and compliance that we expect to see.

What cannot be lost in this moment is the tremendous human cost of allowing this institution to be dismantled. If Highlands closes, our clients will lose access to education. Their children will lose stability. And our community will lose one of its most powerful tools for transformation.

Highlands gave them a second chance. We believe Highlands deserves one too.

Thank you for your consideration—and for standing with the women and families we serve.

Sincerely,
Scott Richards
Chief Executive Officer
Saint John's Program for Real Change

SETA Sacramento Employment and Training Agency

October 2, 2026

Support for the Continued Operation of Highlands Community Charter School and California Innovative Career Academy

We write as business, workforce, community, faith and education organizations serving the Greater Sacramento region and communities throughout California to express our strong support for the continued operation of Highlands Community Charter School and California Innovative Career Academy (CICA).

Highlands and CICA currently serve approximately 2,000 students and support a substantial workforce and network of community partners, vendors and employers. An abrupt closure would cause immediate and irreparable harm not only to the schools, but to thousands of students, families and employees who depend upon their continued operation. It would also have significant short- and long-term consequences for the communities and regional economy in which these students and employees live and work.

Highlands serves a population with few comparable alternatives

Highlands is not a traditional high school. It serves adults who have not earned a U.S. high school diploma, including immigrants and refugees, English-language learners, working parents, low-income adults, people of color, and individuals seeking a second chance at education. For many students, graduation represents the first U.S. high school diploma earned in their family. These students cannot simply be transferred to another traditional public school.

Highlands' unique K–12 funding model enables it to combine high school diploma completion, English-language development, Career Technical Education, workforce preparation and wraparound student services within a single program. This model is particularly important for adults balancing education with employment, children, transportation, language barriers and other responsibilities. Adult schools and community colleges provide critically important educational opportunities, but they are not an interchangeable substitute for this model. There is no identified institution prepared to immediately absorb this student population and replicate the combination of diploma completion, English-language development, career training and individualized support they currently receive.

For many of these students, closure would not mean changing schools. It could mean the end of their education.

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COUNCILMEMBER
City of Sacramento

Anita Maldonado, Ph.D.
EXECUTIVE DIRECTOR

SETA Sacramento Employment and Training Agency

Closure would have a significant regional economic impact

Highlands and CICA students live, work and raise families throughout the Greater Sacramento region. The schools also support a substantial workforce and purchase goods and services from local businesses, landlords, vendors and contractors. Historical economic analysis of Highlands demonstrated that its operations, employees, students and related spending generated tens of millions of dollars in regional economic activity and supported hundreds of direct and indirect jobs. While the size and operations of the schools have changed over time, the analysis demonstrates the broader economic activity associated with an educational institution of this scale.

School expenditures become revenue for local businesses, while employee wages become household spending on housing, groceries, childcare and services. Vendors and contractors employ additional workers, and students themselves earn and spend money throughout their communities. The result is an economic footprint that reaches businesses, workers and households well beyond Highlands itself.

There is also a longer-term economic impact that is more difficult to quantify. Highlands and CICA provide a direct bridge between education and employment. Students can earn a high school diploma while receiving Career Technical Education and occupational training designed to move them into the workforce and toward jobs capable of supporting themselves and their families. Every student who earns a diploma, develops an occupational skill and moves into higher-wage employment has the potential to increase household income, reduce reliance on public assistance, fill an employer's workforce need and create greater economic stability for a family. Closure would interrupt that pipeline immediately.

The harm would fall disproportionately on vulnerable students and families

Highlands serves refugees rebuilding their lives in the United States, immigrants learning English, adults from low-income households, working parents, people of color and individuals who have spent years outside the traditional education system. Historical economic analysis found that approximately 99 percent of Highlands students came from low-income households.

For some students, continued enrollment also intersects with federal, state and local assistance, refugee-support programs and other public benefits and services. Abruptly disrupting enrollment could therefore create consequences extending well beyond education, including disruptions to household stability and existing systems of public and community support.

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The immediate effects are foreseeable: disrupted education, jobs placed at risk, lost wages and local economic activity, interruption of workforce training, and instability for students and their families. The longer-term effects are more difficult to quantify but even more consequential. Students close to earning a diploma may never complete it. Adults completing occupational training may lose their pathway into higher-wage employment. Refugees learning English while preparing to enter the workforce may lose access to both opportunities. Working parents seeking to become the first in their families to earn a U.S. high school diploma may lose an opportunity that took years to reach.

A high school diploma and career training can change the economic trajectory of an entire household. When an adult learns English, earns a diploma, develops an occupational skill and moves into employment paying a livable wage, the benefit extends to their children, their employer and their community. The opposite is also true. Lost future wages, interrupted careers, increased reliance on public assistance, lost workers for regional employers and the generational effects of educational disruption could reverberate throughout the Greater Sacramento region for years.

Continued operations preserve educational, community and economic value

Whatever disputes may exist regarding Highlands and CICA, the students enrolled today did not create those disputes. Neither did their families, their employers or the communities in which they live and work. Maintaining school operations preserves the educational progress of these students, employment and household income for the schools' workforce, relationships with local vendors and community partners, and an established workforce-development pipeline serving the regional economy.

An abrupt closure would immediately destroy much of that value while transferring many of the resulting costs to students, families, employees, employers and the surrounding community. There is no identified institution capable of immediately absorbing this student population and providing the same combination of high school diploma completion, English-language development, career training and wraparound support. Once students are displaced, employees separated and programs dismantled, much of that damage may be difficult or impossible to reverse.

The consequences of closure are therefore both immediate and long-term. Students would have their education disrupted, jobs and wages would be placed at risk, local economic activity would be lost, and an important workforce-development pipeline would be interrupted. Immigrant, refugee and low-income communities would bear a significant share of the immediate harm, while the longer-term consequences of disrupted educational and

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career pathways would ripple across families, employers and communities throughout the region.

For these reasons, we strongly support the continued operation of Highlands Community Charter School and California Innovative Career Academy while the issues surrounding the organization are resolved. Preserving operations protects students, families, employees and the broader community from avoidable and irreparable harm while preserving the educational, workforce and economic value of an institution upon which thousands of people currently depend.

Sincerely,

Anita Maldonado

Anita Maldonado, Ph.D.
Executive Director

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Anita Maldonado, Ph.D.
EXECUTIVE DIRECTOR

Salam
Sacramento Area League of Associated Muslims

REACH. CONNECT. REFLECT

Friday, October 2, 2026

My name is Metwalli Amer, Professor Emeritus at CSUS and Founder of SALAM Islamic Center, and currently its Treasurer.
I am writing in support of the Continued Operation of Highlands Community Charter School (Highlands) and California Innovative Career Academy (CICA).

Highlands and CICA currently serve approximately 2,000 students and support a substantial workforce and network of community partners, vendors and employers. An abrupt closure would cause immediate and irreparable harm not only to the schools, but to thousands of students, families and employees who depend upon their continued operation. It would also have significant short- and long-term consequences for the communities and regional economy in which these students and employees live and work.

Highlands serves a population with no comparable alternatives
It is not a traditional high school. It serves adults who have not earned a U.S. high school diploma, including immigrants and refugees, English-language learners, working parents, low-income adults, people of color, and individuals seeking a second chance at education. For many students, graduation represents the first U.S. high school diploma earned in their family. These students cannot simply be transferred to another traditional public school.

Highlands' unique K–12 funding model enables it to combine high school diploma completion, English-language development, Career Technical Education, workforce preparation and wraparound student services within a single program. This model is particularly important for adults balancing education with employment, children, transportation, language barriers and other responsibilities. Adult schools and community colleges provide critically important educational

opportunities, but they are not an interchangeable substitute for this model. There is no identified institution prepared to immediately absorb this student population and replicate the combination of diploma completion, English-language development, career training and individualized support they currently receive.

For many of these students, closure would not mean changing schools. It could mean the end of their education. Closure would have a significant regional economic impact
Highlands and CICA students live, work and raise families throughout the Greater Sacramento region. The schools also support a substantial workforce and purchase goods and services from local businesses, landlords, vendors and contractors.

There is also a longer-term economic impact that is more difficult to fully calculate. Highlands and CICA provide a direct bridge between education and employment. Students can earn a high school diploma while receiving Career Technical Education and occupational training designed to move them into the workforce and toward jobs capable of supporting themselves and their families. Every student who earns a diploma, develops an occupational skill and moves into higher-wage employment has the potential to increase household income, reduce reliance on public assistance, fill an employer's workforce need and create greater economic stability for a family. Closure would interrupt that pipeline immediately.The harm would fall disproportionately on vulnerable students and families.

Highlands serves refugees rebuilding their lives in the United States, immigrants learning English, adults from low-income households, working parents, people of color and individuals who have spent years outside the traditional education system. Historical economic analysis found that approximately 99 percent of Highlands students came from low-income households. (HCCTS Economic Study Nov 2020). For some students, continued enrollment also intersects with federal, state and local assistance, refugee-support programs and other public benefits and services. Abruptly disrupting enrollment could therefore create consequences extending well beyond education, including disruptions to household stability and existing systems of public and community support.

The immediate effects are foreseeable: disrupted education, jobs placed at risk, lost wages and local economic activity, interruption of workforce training, and instability for students and their families. The longer-term effects are more difficult to quantify but potentially even more consequential. Students close to earning a diploma may never complete it. Adults completing occupational training may lose their pathway into higher-wage employment. Refugees learning English while preparing to enter the workforce may lose access to both opportunities. Working parents seeking to become the first in their families to earn a U.S. high school diploma may lose an opportunity that took years to reach.

A high school diploma and career training can change the economic trajectory of an entire household. When an adult learns English, earns a diploma, develops an occupational skill and moves into employment paying a livable wage, the benefit extends to their children, their employer and their community. The opposite is also true. Lost future wages, interrupted careers, increased reliance on public assistance, lost workers for regional employers and the generational effects of educational disruption could reverberate throughout the Greater Sacramento region for years. Continued operations preserve educational, community and economic value.

Whatever disputes may exist regarding Highlands and CICA, the students enrolled today did not create those disputes. Neither did their families, their employers or the communities in which they live and work. Maintaining school operations preserves the educational progress of these students, employment and household income for the schools' workforce, relationships with local vendors and community partners, and an established workforce-development pipeline serving the regional economy.

An abrupt closure would immediately destroy much of that value while transferring many of the resulting costs to students, families, employees, employers and the surrounding community. There is no identified institution capable of immediately absorbing this student population and providing the same combination of high school diploma completion, English-language development, career training and wraparound support. Once students are displaced, employees separated and programs

dismantled, much of that damage may be difficult or impossible to reverse.

The consequences of closure are therefore both immediate and long-term. Students would have their education disrupted, jobs and wages would be placed at risk, local economic activity would be lost, and an important workforce-development pipeline would be interrupted. Immigrant, refugee and low-income communities would bear a significant share of the immediate harm, while the longer-term consequences of disrupted educational and career pathways would ripple across families, employers and communities throughout the region.

For these reasons, we strongly support the continued operation of Highlands Community Charter School and California Innovative Career Academy while the issues surrounding the organization are resolved. Preserving operations protects students, families, employees and the broader community from avoidable and irreparable harm while preserving the educational, workforce and economic value of an institution upon which thousands of people currently depend. Please join us in finding a path forward to save this invaluable community resource.

Sincerely,

Metwalli Amer

Metwalli Amer
Professor Emeritus, CSUS
Treasurer, SALAM Islamic Center

EXHIBIT B:

CALIFORNIA OFFICE OF THE STATE AUDITOR REPORT ON HCCTS,
DATED JUNE 2025

Highlands Community Charter and Technical Schools

Lax Oversight Allowed Highlands to Inappropriately Receive More Than $180 Million in K–12 Funding

June 2025

REPORT 2024-106



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Grant Parks *State Auditor*

Mike Tilden *Chief Deputy*

June 24, 2025
2024-106

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As directed by the Joint Legislative Audit Committee, my office conducted an audit of Highlands Community Charter and Technical Schools (Highlands) and Twin Rivers Unified School District (Twin Rivers). Our assessment focused on whether Highlands complied with state law and other applicable requirements and the sufficiency of Twin Rivers' oversight of Highlands, and the following report details the audit's findings and conclusions. In general, we determined that Highlands received more than $180 million in K–12 funds for which it was not eligible, it engaged in wasteful spending, and it assigned teachers to classes for which they did not hold appropriate credentials. Additionally, we found that Twin Rivers and other oversight agencies did not provide adequate oversight of Highlands.

Highlands, which serves adult students but receives K–12 funding as a result of its partnership with a Workforce Innovation and Opportunity Act (WIOA) organization, collected millions of dollars in K–12 funding for its classroom-based school despite not meeting key conditions of funding. Further, Highlands received more than an estimated $5 million in overpayments by not complying with state law in calculating its average daily attendance. We also found that Highlands engaged in several questionable financial transactions, including some that violated legal prohibitions against gifts of public funds and conflicts of interest. My office found that Highlands hired and promoted unqualified individuals, and often assigned teachers to classes for which they did not hold appropriate credentials. Highlands also avoided transparency and accountability for its poor student outcomes by not complying with certain reporting requirements and not conducting standardized testing.

In addition, we found that Twin Rivers, the Sacramento County Office of Education, and the California Department of Education took insufficient action to ensure that Highlands addressed findings from a 2018 audit by the Fiscal Crisis and Management Assistance Team that reported multiple serious and deficient internal practices at Highlands. In addition, Twin Rivers conducted only minimal annual oversight of Highlands, and instead relied heavily on annual audits that we found had inaccuracies. If Twin Rivers had conducted more thorough oversight, it could have identified some of the violations we identified as part of our audit and taken action to address them earlier.

Respectfully submitted,

GRANT PARKS
California State Auditor

Filed 10/04/26 Case 26-25868 Doc 5

Selected Abbreviations Used in This Report

CAASPP	California Assessment of Student Performance and Progress
CalSAAS	California Statewide Assignment Accountability System
CAST	California Science Test
CICA	California Innovative Career Academy
CTC	Commission on Teacher Credentialing
CTE	Career technical education
ESL	English as a Second Language
FCMAT	Fiscal Crisis and Management Assistance Team
GAO	Government Accountability Office
HCCS	Highlands Community Charter School
LCAP	Local Control Accountability Plan
LCFF	Local Control Funding Formula
LEA	Local educational agency
SETA	Sacramento Employment Training Agency
TANF	Temporary Assistance for Needy Families
WIOA	Workforce Innovation and Opportunity Act

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Summary

Key Findings and Recommendations

Highlands Community Charter and Technical Schools (Highlands) is a nonprofit corporation operating two charter schools in California. Highlands Community Charter School (HCCS), a classroom-based school, opened in 2014, and California Innovative Career Academy (CICA), an independent study school, opened in 2019. Twin Rivers Unified School District (Twin Rivers) authorized the charters for both schools. Both schools serve adult students 22 years or older but receive state K–12 funding through the Local Control Funding Formula (LCFF) as a result of Highlands' partnership with a Workforce Innovation and Opportunity Act (WIOA) organization. WIOA is federal legislation designed to help job seekers access employment, education, training, and supportive services, and state law allows charter schools providing instruction in exclusive partnership with a WIOA organization to receive K–12 funding for adult students. As of Fall 2024, Highlands had more than 700 employees serving more than 13,700 students across more than 50 locations throughout the State. Highlands is subject to oversight from Twin Rivers and through its annual financial and compliance audits, which are audits conducted by a Certified Public Accountant. Highlands has experienced dramatic enrollment and revenue growth since 2019, but audits and media investigations have reported significant operational issues, including attendance discrepancies, conflicts of interest, and excessive spending.

Highlands Received More Than $180 Million in K–12 Funds for Which It Was Not Eligible

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Highlands collected millions of dollars in K–12 funding for its classroom-based school despite not meeting conditions of funding relating to its mode of instruction. By not offering the required amount of instruction at the schoolsite, requiring students to attend class at the schoolsite for the minimum amount of time required by law, or meeting requirements for nonclassroom-based instruction, HCCS was not eligible to receive the $177 million in K–12 funding it received in fiscal years 2022–23 and 2023–24. Further, Highlands received more than an estimated $5 million in overpayments, of which $3.5 million is in addition to the $177 million in disallowed funding, by not complying with state law in calculating its average daily attendance (ADA). Highlands also lacked verifiable documentation for the attendance it recorded for both HCCS and CICA, which calls into question whether the attendance Highlands reported for both schools is accurate.

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Highlands Has Engaged in Wasteful Spending and Inappropriate Hiring Practices

Highlands lacked sufficient controls over its spending to prevent waste of the public funding it receives. We found that Highlands engaged in several questionable transactions, including some that violated legal prohibitions against gifts of public funds and conflicts of interest, such as entering into a contract for mentor services with the spouse of a Highlands director. Further, we found that Highlands impeded public transparency by not seeking board approval for some contracts and purchases that exceeded the cost thresholds outlined in the few policies it had. Highlands also lacked clear hiring and compensation policies. Highlands hired and promoted unqualified individuals and had inadequate protections against nepotism. Its lack of standardized procedures for assigning salaries and bonuses also leaves it vulnerable to potential claims of favoritism or unfairness.

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Unqualified Teachers and Large Student Enrollment May Contribute to Poor Student Outcomes at Highlands' Schools

The majority of Highlands teachers we tested did not hold appropriate credentials for the classes they taught, and some lacked any credentials at the times when they were teaching classes. The California Commission on Teacher Credentialing (CTC) in fiscal years 2022–23 and 2023–24 reported that Highlands repeatedly and increasingly assigned teachers to classes for which they did not hold appropriate credentials. Further, Highlands exceeded the allowable student-to-teacher ratio for CICA, its independent study school. For its classroom-based school, HCCS, Highlands had a student-to-teacher ratio of 51:1. Although there is no maximum class size in state law for grades 9 through 12, this ratio far exceeded that of neighboring schools and school districts. These issues may have contributed to Highlands' poor student outcomes. According to the California Department of Education's (CDE) graduation rate data, HCCS had a graduation rate of 2.8 percent in fiscal year 2023–24, and CICA's graduation rate was 16.9 percent in the same year. CDE determined that Highlands' schools' graduation rates were so low that they dropped the overall statewide graduation rate for the 2023–24 school year by more than half of a percentage point, from 87 percent to 86.4 percent. Because Highlands is operating in partnership with a WIOA organization, state law exempts it from the requirement that charter schools are eligible to receive K-12 funding for students over 19 years old only if the student is making satisfactory progress toward the completion of a high school diploma. Further, by not complying with certain reporting requirements and not conducting standardized testing, Highlands avoided transparency and accountability for its student outcomes.

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Twin Rivers and Other Educational Entities Did Not Provide Adequate Oversight of Highlands

Page 45

At the request of the Sacramento County Office of Education (Sacramento COE), the Fiscal Crisis and Management Assistance Team (FCMAT) performed an audit that reported multiple serious and deficient internal practices at Highlands in 2018. However, the Sacramento COE took minimal actions to ensure that Highlands and Twin Rivers addressed the findings, and CDE did not fully respond to Sacramento COE's request to address the FCMAT findings. Further, Twin Rivers did not require Highlands to resolve the FCMAT findings and other deficiencies in CICA's charter petition before recommending the district's board conditionally approve the petition in 2019. In addition, Twin Rivers conducted only minimal oversight of Highlands and instead relied heavily on annual audits that we found had inaccuracies. If Twin Rivers had conducted more thorough oversight, it could have identified some of the violations we identified as part of our audit and taken action to address them earlier. Twin Rivers collected $12.9 million in oversight and facility fees from Highlands from fiscal years 2019–20 through 2023–24, but because the district does not track the costs of its oversight, it may have been entitled to less than it received.

To address these findings, we recommend that the Legislature establish maximum allowable student-to-teacher ratios for adult serving classroom-based charter schools and require charter schools that provide instruction to adults in exclusive partnership with a WIOA organization be subject to the requirement that its students make satisfactory progress toward a high school diploma. We include a summary of legislative recommendations in Appendix A. We also recommend that Highlands align its attendance policies and reporting practices with the conditions of receiving K–12 funding and other requirements in state law. We further recommend that Highlands implement policies to spend public funds appropriately, prevent favoritism in its hiring practices, and ensure that its teachers have proper credentials.

To address the lax oversight on the part of responsible state and local agencies, we recommend that Twin Rivers implement policies and procedures to conduct charter school oversight that better aligns with state guidance and best practices, and to outline specific steps for investigating and resolving potential violations of state law or the charters, including issuing written notices of violation that could lead to revocation of a school's charter if not resolved. Further, we recommend that if CDE determines that Highlands has failed to significantly address the audit findings in this report or others, or that Highlands violated state law, the State Superintendent of Public Instruction should make a recommendation to the State Board of Education to take appropriate action, up to and including revoking Highlands' charters.

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Agency Comments

Highlands and Sacramento COE generally agreed with our recommendations, but provided responses that disagreed with some of the report's findings and conclusions. Twin Rivers generally questioned whether our recommendations were legally enforceable. CDE and CTC both generally agreed with our recommendations.

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Introduction

Background

In 1992, California lawmakers enacted legislation to establish charter schools as part of its public education system, making it the second state to do so. As of May 2024, there were 1,283 charter schools and seven all-charter school districts in California. California law prohibits charter schools from charging tuition. According to CDE, charter schools may include any combination of grades from transitional kindergarten through grade 12 (K–12).

The legislative intent of the Charter Schools Act of 1992 is to provide opportunities to establish charter schools that operate independently from the existing school district structure as a method to accomplish certain goals. These goals include providing competition within the public school system, encouraging the use of different and innovative teaching methods, and creating new professional opportunities for teachers.

A person starting a charter school begins the process by circulating a petition for the establishment of the charter school. The petition is then submitted to the governing board of the school district in which the charter school is to be established. The charter school's petition must lay out its proposed governance structure, the qualifications to be met by employees, educational goals for students and how those goals will be measured, and other requirements. The school district governing board then reviews the charter, holds a public hearing regarding the charter, and decides whether to approve or deny the charter.[1] Charter schools are largely exempt from the state statutes and regulations governing school districts.

Founding of Highlands

Highlands is a California nonprofit public benefit corporation that operates two K–12 charter schools, each with multiple locations, that provide instruction to adults 22 years or older who do not have a U.S. high school diploma. Twin Rivers authorized the charters for both schools and bears primary responsibility for their oversight. Highlands opened its first K–12 charter school—HCCS—in August 2014 to provide classroom-based instruction. Highlands opened its second K–12 charter school—CICA—in August 2019, which provides independent study-based instruction. As Figure 1 shows, Highlands has seen dramatic growth in both its enrollment and revenue from fiscal years 2019–20 through 2024–25. As of Fall 2024, Highlands had more than 700 employees at more than 50 locations throughout the State serving—as of February 2025—more than 13,700 students.[2] HCCS and CICA are the 1st and 37th largest schools, respectively, in the State by enrollment and combined represent nearly 30 percent of the enrollment in Twin Rivers.

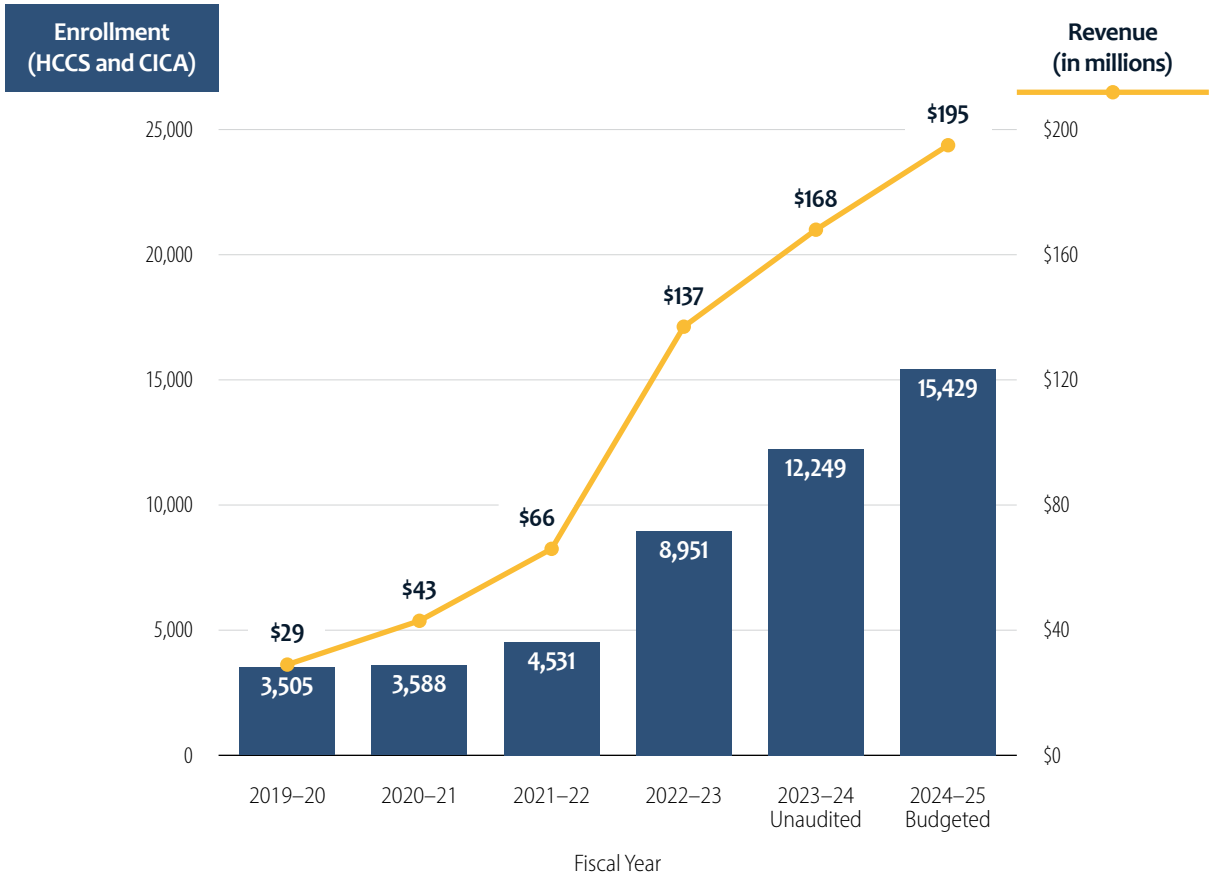
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[1] If the school district denies the charter petition, the petitioner may submit it to the county board of education on appeal. If the county board of education denies the petition, the petitioner may appeal that denial to the State Board of Education.

[2] Later in the Introduction, we describe how Highlands' WIOA agreement and state law allows Highlands to establish schools outside the geographic boundaries of the authorizing school district.

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Figure 1
Highlands' Reported Enrollment and Revenue Increased Significantly From Fiscal Years 2019–20 Through 2024–25



Source: Highlands' financial statements, student data, and budget projections.

Highlands emphasizes that it serves a diverse and underserved population by providing access to education and employment to students from a wide range of age, ethnic, cultural, and language backgrounds, including students from 95 countries speaking 69 languages. Highlands provides educational programs that address three different areas of learning. It offers an International High School program where students can earn credits toward a high school diploma while improving their English comprehension and communication skills. Second, it offers a High School program, which allows students to earn credits toward their high school diploma while continuing to strengthen their communication skills in academic and workplace settings. Highlands also offers Career Technical Education (CTE) courses in conjunction with its high school program, which provide opportunities for students to develop workforce skills, obtain certifications, and earn elective credits toward a high school diploma.

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Highlands' Funding

Charter schools in California receive state funding through California's LCFF, which is based primarily on a school's ADA in each grade span up to and including grade 12. LCFF is the primary mechanism for distributing state educational funding to K–12 schools. As such, we refer to LCFF funding throughout this report as K–12 funding. This method of funding K–12 schools differs from the state's primary method of funding adult education, which allocates funding to local adult education consortiums according to measures of need and effectiveness, as well as the amount of prior year funding. K–12 funding accounted for about 85 percent of Highlands' revenues in fiscal year 2022–23, or about $117 million. Other state and local revenues accounted for about 14 percent of Highlands' revenues in fiscal year 2022–23, or about $20 million. Highlands also received federal revenue of about $1 million, most of which came from an adult education grant from WIOA—a federal law that we describe further in the next section—that accounted for less than one percent of its fiscal year 2022–23 revenues. As Figure 2 shows, there are key differences between adult education and K–12 education in California.

Highlands' WIOA Agreement with the Sacramento Employment Training Agency

Despite receiving K–12 funds, Highlands is exempted from key legal requirements that apply to K–12 schools by virtue of its agreement with a WIOA agency. According to the U.S. Department of Labor, WIOA is legislation designed to strengthen and improve the nation's public workforce system by helping job seekers access employment, education, training, and supportive services to succeed in the labor market. Highlands has an agreement with the Sacramento Employment Training Agency (SETA), the organization responsible for the oversight and administration of WIOA in the Sacramento area. Under this agreement, Highlands must enroll only students who are eligible WIOA participants.

State law typically only allows charter schools to receive K–12 funding for a student over the age of 19 if the student has been continuously enrolled in public school and is making satisfactory progress toward the completion of a high school diploma. However, state law exempts from these requirements charter schools that provide instruction exclusively in partnership with a WIOA organization. Consequently, that exemption allows Highlands to receive K–12 funding for adult students regardless of whether they have been continuously enrolled or are making satisfactory progress toward a high school diploma. State law also generally requires charter schools to be located within the geographic boundaries of the authorizing school district, but another exemption in state law for charter schools that provide instruction exclusively in partnership with a WIOA organization allows Highlands to open and operate schools across the State.

Oversight of Highlands

Oversight of California's public education system involves multiple levels, including various agencies at the state, county, and local levels. The level of oversight and the associated responsibilities for these agencies vary, as we show in Figure 3.

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Figure 2
Key Differences Between K–12 and Adult Education in California





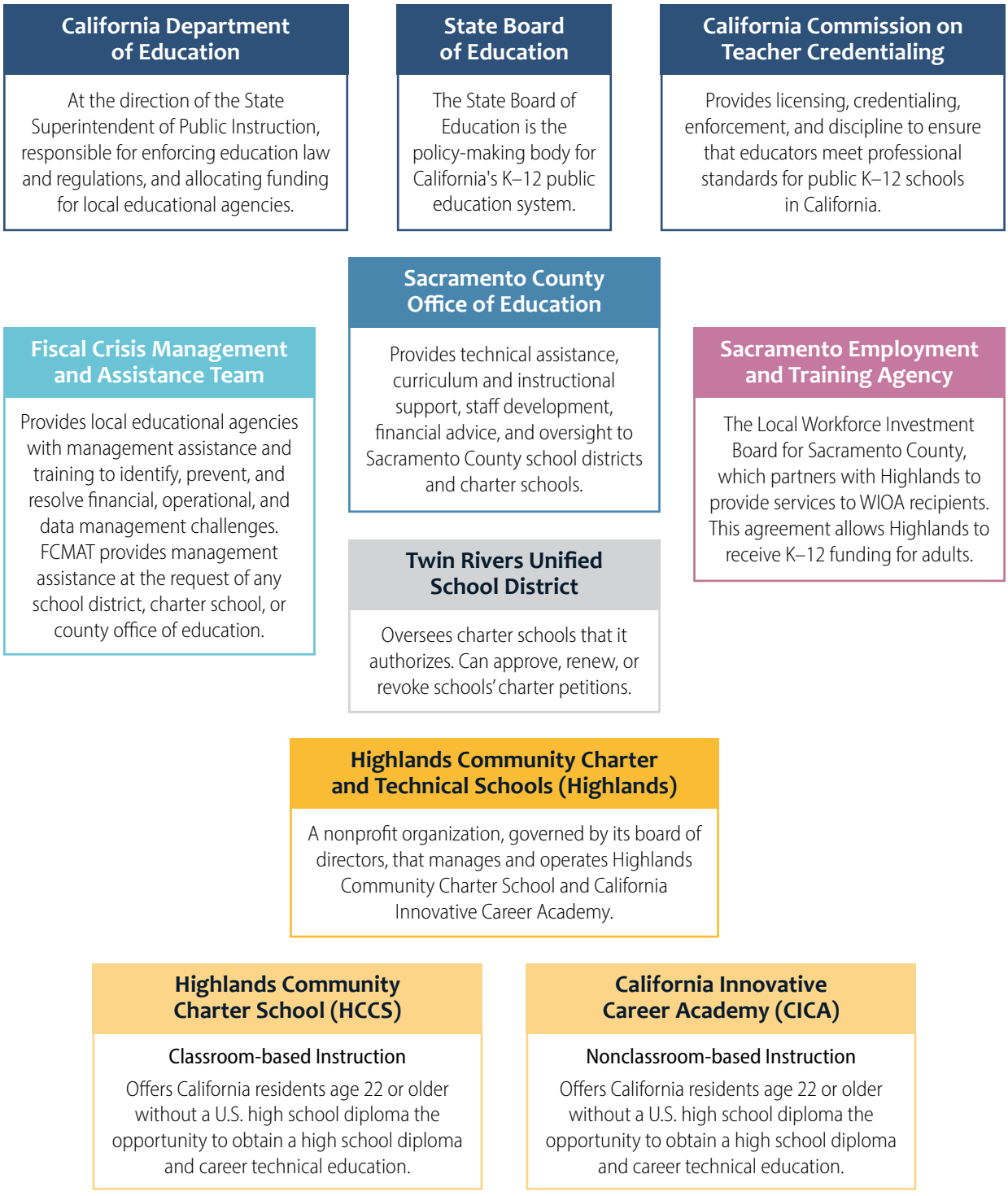
	K–12	CALIFORNIA ADULT EDUCATION PROGRAM
Population Served	Generally, children aged 5–19 who have not yet graduated from high school. *Various exemptions to the age limit exist.*	Generally, adults aged 18 or older.
Attendance Requirements	California compulsory education law generally requires children between 6 and 18 years of age to attend school. Truant students may face disciplinary or legal consequences.	State law does not compel attendance.
Fees	Public schools, including charter schools, may not charge fees for educational activities.	Adult schools may charge fees, except for classes such as English, citizenship, or high school credit classes when taken by someone without a high school diploma or equivalent.
How State Funding Is Determined	Generally driven by average daily attendance.	California Adult Education Program (CAEP) funding is not based on attendance.
Funding	State K–12 (LCFF) Funding for Fiscal Year 2023–24: Estimated average of $14,750 per student statewide.	Adult school funding is not linked to student attendance and adult schools have widely different per-student funding rates. State CAEP funding amounts provided per participant at a selection of school districts*: • Los Angeles Unified School District—Adult Education: $2,205 per participant • Montebello Unified School District—Adult Education: $3,893 per participant • Garden Grove Unified School District—Adult Education: $1,017 per participant

Source: State law, CDE publications, a Legislative Analyst's Office report, and California Community Colleges Data Vista—California Adult Education Program Score Card.

* A participant is defined as an individual who receives 12 or more instructional contact hours at any institution within the academic or program year.

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Figure 3
Entities with Responsibilities Related to Overseeing Education and Highlands



Source: California law, CTC publications, Sacramento COE website, Twin Rivers board minutes, CDE documentation, Highlands documentation, and other documents.

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To promote accountability over public educational funding and encourage sound fiscal management practices, California law requires local educational agencies, including charter schools, to undergo an annual financial and compliance audit performed by a Certified Public Accountant in accordance with government auditing standards. State law requires the State Controller's Office to propose, in consultation with the Department of Finance, CDE, and representatives of specified organizations, an audit guide that describes procedures for conducting these audits. The State Controller's Office then submits the proposed audit guide to the Education Audit Appeals Panel for review, possible amendment, and adoption through the rulemaking process. Once adopted, the Guide for Annual Audits of K–12 Local Educational Agencies and State Compliance Reporting (K–12 audit guide) forms the basis for the annual audits that Highlands and all charter schools undergo.

In December 2016, the Sacramento COE entered into an agreement with FCMAT to conduct an extraordinary audit of Highlands to determine if fraud, misappropriation of funds, or other illegal fiscal activities may have occurred. FCMAT is an independent and external state agency created in 1991, and its primary mission is to assist California's local educational agencies to identify, prevent, and resolve financial, human resources, and data management challenges. FCMAT published its audit in May 2018 in which it identified multiple serious issues, including attendance calculation irregularities, lack of support for student outcomes, conflicts of interest, and allegations of sexual harassment. In the conclusion of its report, FCMAT stated that these findings should be of great concern to the charter's governing board, Twin Rivers, Sacramento COE, the State Superintendent of Public Instruction, and the State Controller's Office, and require immediate intervention to limit the risk of fraud and misappropriation of assets in the future. The FCMAT audit specifically recommended that the Sacramento County Superintendent (county superintendent) ensure that both Twin Rivers and Highlands investigate and properly address the issues that it raised in the audit. The audit also recommended that the county superintendent notify the appropriate agencies, such as CDE and the State Controller's Office, regarding weaknesses and illegal fiscal practices so that suitable actions could be taken.

Substantial media scrutiny of Highlands began in January 2024 when a news outlet began publishing a recurring investigative journalism series exploring concerns regarding Highlands' operations. The series investigated concerns at Highlands including conflicts of interest, attendance reporting, excessive and lavish spending, fiscal policies, and lack of oversight. Highlands' former executive director served in that position from July 2015 until he resigned in June 2024, the month after this audit was approved. On July 1, 2024, Highlands appointed a long-time contractor and Twin Rivers' former deputy superintendent as its executive director. In April 2025, after the majority of our audit fieldwork had been completed, Highlands' board approved a plan to reduce its numbers of teachers, staff, and classified management by about 87 percent, going from more than 700 full-time equivalent employees to fewer than 95, and reducing the number of students it enrolls from 13,000 to 3,300 students. Highlands' executive director explained to the board that the reduction stems from the recently communicated requirement that Highlands teachers must hold a K–12 credential.

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Highlands Received More Than $180 Million in K–12 Funds for Which It Was Not Eligible

Key Points

- By not meeting the funding requirements for classroom-based or nonclassroom-based instruction, Highlands Community Charter and Technical Schools (Highlands) was not eligible to receive $177 million in K–12 funding for its classroom-based school during fiscal years 2022–23 and 2023–24.
- From fiscal year 2021–22 through 2023–24, Highlands improperly collected more than $5 million—$3.5 million in addition to the $177 million—in K–12 funds by misreporting its attendance to the California Department of Education (CDE).
- Highlands lacked documentation to support its reported attendance for all 18 Highlands Community Charter School (HCCS) students and one of the 30 California Innovative Career Academy (CICA) students we reviewed, weakening its ability to withstand public scrutiny and resulting in some disallowable funding for CICA's attendance.

HCCS Was Not Eligible to Receive $177 Million in K–12 Funding

Highlands has inappropriately collected millions in K–12 funding because it has not met the legal requirements for the mode of student instruction it claims to offer. State law defines two modes of instruction: classroom-based instruction, which occurs primarily at a schoolsite, and nonclassroom-based instruction, such as online independent study, and establishes different funding requirements for each mode. As Figure 4 shows, Highlands has not met the conditions for collecting K–12 funding for classroom-based instruction over the last two years for HCCS, and because it has not received a determination of funding for HCCS from the State Board of Education, we conclude that it is also ineligible for funding for nonclassroom-based instruction.[3] Therefore, it is our view that Highlands was not eligible to receive any of the K–12 funding it received for HCCS from fiscal years 2022–23 through 2023–24, a total of more than $177 million.

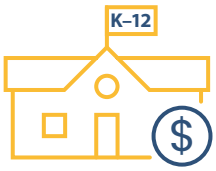
HCCS must meet funding requirements relating to the amount of instruction it offers. State law requires, as a condition of apportionment, that charter schools offer a minimum of 64,800 minutes of instruction each fiscal year to students in grades 9 to 12. Compliance with the instructional minutes requirement is assessed in the annual audits of charter schools, and the Guide for Annual Audits of K–12 Local Education Agencies and State Compliance Reporting (K–12 audit guide) published by the Education Audit Appeals Panel instructs auditors to compare bell schedules,

[3] To qualify for funding for nonclassroom-based instruction, charter schools must submit a request for a determination of funding and have it approved by the State Board of Education.

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academic calendars, or other comparable documentation to determine the number of instructional minutes offered by a classroom-based school. We determined that HCCS' calendars and bell schedules contain enough minutes over the course of its academic calendar to offer the amount of instructional time required by law. This conclusion is consistent with Highlands' most recent annual audit for fiscal year 2022–23. However, a charter school's eligibility for funding also depends on whether it meets requirements relating to the mode of instruction it offers, which may be either classroom based or nonclassroom based.

Figure 4
HCCS Has Not Met Key Conditions of K–12 Funding





KEY CONDITIONS OF K–12 FUNDING	CONDITION MET BY HCCS?
1 To be eligible for funding, classroom-based instruction occurs only when charter school students are engaged in required educational activities under the immediate supervision and control of a certificated charter school employee, and **at least 80 percent of the offered instructional time is at the schoolsite.**	X **No.** While HCCS provides instruction at school sites, we observed during seven class visits that HCCS typically provides classroom-based instruction for only 2–3 hours of a scheduled 6-hour school day.
2 In order to qualify for funding for classroom-based instruction, charter schools must **require students to attend at the schoolsite for at least 80 percent of the required minimum instructional time.**	X **No.** In addition to Highlands' insufficient attendance policies, we observed in eight class visits that in practice, students entered and left class at various times—in some cases leaving immediately after signing in for attendance—and teachers did not attempt to enforce any attendance requirement.
3 **If a charter school does not meet the above requirements, state law classifies it as providing nonclassroom-based instruction** and allows it to receive K–12 funding for nonclassroom-based instruction only if the State Board of Education determines it is eligible for funding.	X **No.** HCCS has never received a determination of funding for nonclassroom-based instruction.

Source: State law, HCCS documentation, and auditor observations.

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There are two key conditions that a charter school must meet to receive K–12 funding for classroom-based instruction. First, state law requires charter schools that offer classroom-based instruction to offer at least 80 percent of their instructional time at the schoolsite. According to state law, classroom-based instruction occurs only when charter school students are engaged in required educational activities and are under the immediate supervision and control of a certificated employee.[4] Second, these schools must require the attendance of all students at the schoolsite for at least 80 percent of the minimum instructional time required by law. These requirements are a condition of receiving funding for classroom-based instruction in K–12 schools. In other words, failure to meet these requirements makes HCCS or any other charter school ineligible for classroom-based funding for their students.

In our visits at seven classes in different locations, we observed that teachers lectured for only two to three hours. One additional instructor, not included in those seven classes, informed us that they typically lecture for two to three hours each day. Most of those instructors informed us that they used the rest of the scheduled class session as optional time for students to receive individualized help. Rather than having classes in different subjects throughout the day, HCCS' classes often covered multiple subjects and were scheduled for the entire school day, which is typically six hours. We observed that nearly all of the remaining students left the class after the teacher finished the lesson. We also observed students arriving to class at various times and leaving at various times, and we did not observe any instructor who attempted to enforce a requirement for attendance in any way. Highlands' executive director confirmed that some of HCCS' teachers reported providing instruction for two to three hours in a day while students attended classes and leaving the remainder of the scheduled day open to work on lesson plans or to serve as an optional study period to meet the needs of its adult student population, who had varying schedules outside of school. In our view, the portion of the school day that is optional does not meet the definition of classroom-based instruction that appears in state law because, even if the teacher remains in the classroom to work on lesson plans or answer students' questions, this is not a required educational activity for the students.

HCCS students may also engage in instructional activities through online programs or by completing assignments at home. For example, some of HCCS' courses involve online instruction through programs such as Edmentum, which offers digital K–12 curricula, assessments, and instructional services, and we observed teachers giving students who chose not to stay in class packets of course materials to complete at home. However, instruction that occurs offsite satisfies neither the first key legal requirement nor Highlands' own policy that at least 80 percent of HCCS' total instructional time will be at a schoolsite. In fact, state regulations provide that the legal requirement to be at the schoolsite is not satisfied if the students are in a personal residence, even if space in the residence is set aside and dedicated to instructional purposes. Additionally, in our view these instructional activities do not meet the legal definition of classroom-based instruction because they do not occur under the immediate supervision and control of a certificated employee. Because

[4] A certificated employee is a school employee who requires a valid credential or permit to qualify for the position, as issued by the Commission on Teacher Credentialing.

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the amount of classroom-based instruction we observed was typically less than half of the instructional time shown on the bell schedule, we conclude that Highlands offered significantly less than 80 percent of its instructional minutes at the schoolsite.

Additionally, by not requiring students to attend class for a sufficient amount of time, Highlands does not meet the second key requirement of classroom-based instruction, which is that it must require the attendance of all students at the schoolsite for at least 80 percent of the 64,800 minutes of instruction required by state law. While Highlands' student handbook communicates that its students are expected to attend school daily and stay for the entire program of study, our observations found that Highlands did not require students to do so. As discussed above, the instructors we spoke to indicated that a portion of the class day—typically more than half of the scheduled class period—was optional for students. Highlands' executive director also confirmed that students have not been required to attend for 80 percent of the offered instructional minutes because the previous administration focused on enrollment and not attendance. Further, Highlands lacked policies related to consequences for failure to attend. In fact, in eight class visits, we observed students arriving and leaving at various times, with no attempt to enforce a requirement for attendance. In three of those eight class visits, we observed students signing into class and then immediately leaving with no instructor attempting to enforce a requirement for attendance. One instructor, not included in these three class visits, informed us that there are students that sign in and leave immediately every day, but usually less than five students per day. Furthermore, a January 2025 review of Highlands commissioned by Twin Rivers Unified School District (Twin Rivers) noted that some classes lacked the physical capacity for their rosters, stating that students may be sent home to work on assignments or to wait until a spot opens. In light of this observation, that review questioned whether HCCS is offering the scheduled instructional minutes, meeting the obligation of offering at least 80 percent of instructional time at the schoolsite, or requiring students to physically attend for 80 percent of the time. We also conducted a survey of current and former Highlands students and asked how many hours per day students attended classes in person at Highlands on average. In response to this survey, 29 percent of students responded that they attended classes for only one to two hours per day. We present the full results of the survey in Appendix B.

In seeking to understand why students would sign in to classes and then immediately leave, we found that there may be an incentive for students to do so for purposes unrelated to education: receiving credit toward work participation requirements under the California Work Opportunity and Responsibility to Kids program (CalWORKs). CalWORKs is California's implementation of the federal Temporary Assistance for Needy Families (TANF) block grant to help low-income families with children achieve economic self-sufficiency and is administered by county offices of human assistance. Eligibility for CalWORKs generally requires participation in welfare-to-work activities, which may include activities related to education. In October 2024, Highlands reported the hours of participation of more than 8,000 students to various counties' departments of human assistance. Highlands' student onboarding and records manager indicated that its method for tracking student attendance does not record the actual time students receive instruction and only records whether a student is present or absent for the day.

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Nonetheless, Highlands reports seven hours of student participation—including six hours of in-person instructional time and one hour of study time—for every day it has recorded a student as present to the county departments of human assistance responsible for administering CalWORKs, regardless of a student's actual hours of participation. Consequently, Highlands may be overstating hours of participation for those students who may receive CalWORKs benefits.

Because we conclude that HCCS does not meet the requirements for K–12 funding for classroom-based instruction, we followed the instructions in the K–12 audit guide and assessed whether it qualified for funding under the requirements for nonclassroom-based instruction. State law provides that instruction that does not meet the definition of classroom-based instruction is considered nonclassroom-based instruction, which is subject to more stringent funding requirements than classroom-based instruction. State law contains several conditions of funding for nonclassroom-based instruction, including a requirement that a charter school obtain a determination for funding from the State Board of Education if more than 20 percent of its instruction is not classroom-based. The audit guide likewise states that if more than 20 percent of a charter school's average daily attendance (ADA) is generated from nonclassroom-based instruction and the school does not have a funding determination, the charter school is not eligible for ADA generated through nonclassroom-based instruction.

While Highlands' policies state that as a classroom-based charter school HCCS may only offer a limited amount of nonclassroom-based instruction, in our observations the portion of the school day that did not satisfy the requirements of classroom-based instruction exceeded 20 percent of the total instructional time scheduled for that day. In addition to our observations of online learning and take-home packets, in our survey of students, more than half responded that they completed seven or more hours of schoolwork or studying per week outside of the classroom, which is more than 20 percent of the instructional time Highlands offers in its bell schedules per week. We therefore conclude that HCCS is offering nonclassroom-based instruction at a rate that exceeds the 20 percent threshold. We reviewed the funding determinations made by the State Board of Education pursuant to state law and found that HCCS has not received a determination of funding for nonclassroom-based instruction. Therefore, in addition to not qualifying for funding for classroom-based instruction, it is our view that HCCS did not qualify for funding for nonclassroom-based instruction either.

Although Highlands has recently adopted policies in March of 2025 that require students to be present for at least 80 percent of the scheduled instructional hours weekly or else face potential enforcement or intervention, Highlands' executive director stated that he does not believe requiring students to do so is a condition for receiving ADA apportionment. As discussed above, Highlands' executive director explained that students have been offered the required number of instructional minutes but have not been required to attend for at least 80 percent of the offered minutes because the previous administration focused on enrollment and not attendance. Highlands' associate deputy director explained that attendance for adults is noncompulsory so students may arrive late and leave early. We agree that adult students are not subject to the compulsory education requirements of state law and would not be considered truant for failing to attend class. However, the explanation offered by the executive director does not address the fact that the compulsory education provisions are distinct

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from the K–12 funding requirements for classroom-based instruction and there is no exception to the 80 percent on-site attendance requirement for adult students, although we acknowledge that state law does not expressly address this issue.

As noted above, we observed that the actual practice of HCCS was to stop providing classroom-based instruction well before the end of the scheduled class period and not require students to remain in attendance after that point. In our view, this does not meet the requirements of state law and the K–12 audit guide, which both identify the requirement to offer 80 percent of instruction at the schoolsite and require the attendance of students at the schoolsite for at least 80 percent of the required time as conditions of classroom-based funding. Because it did not meet these requirements, or the funding requirements for nonclassroom-based instruction, we conclude that HCCS was not eligible to receive the $104.6 million in K–12 funding it received in fiscal year 2023–24 and likewise was ineligible to receive $72.7 million in fiscal year 2022–23—amounts which likely made up nearly 60 percent of Highlands' total revenues in those years.

Highlands Has Inappropriately Received More Than an Estimated $5 Million in K–12 Funds for Misreported and Unsupported Attendance

Highlands misreported its ADA from fiscal years 2021–22 through 2023–24, resulting in it receiving millions of dollars in overpayments. As mentioned in the Introduction, charter schools receive state funding based on ADA. Charter schools calculate ADA by dividing the total unique days of attendance by the number of educational days. They then report this figure to CDE throughout the school year in full school months, which consist of four school weeks. We obtained Highlands' student attendance data, reviewed Highlands' methodologies and state law, and calculated its ADA figures for fiscal years 2021–22 through 2023–24. We found that Highlands' past practices for calculating ADA did not comply with state law, and our figures did not agree with the ADA Highlands reported to CDE. As a result of not calculating its ADA correctly, Highlands received an estimated $5.5 million in overpayments, of which $3.5 million is in addition to the $177 million in disallowed funding we discussed earlier in the report.[5] We calculated these amounts by multiplying the difference between our calculated ADA and Highlands' reported ADA by the appropriate funding values.

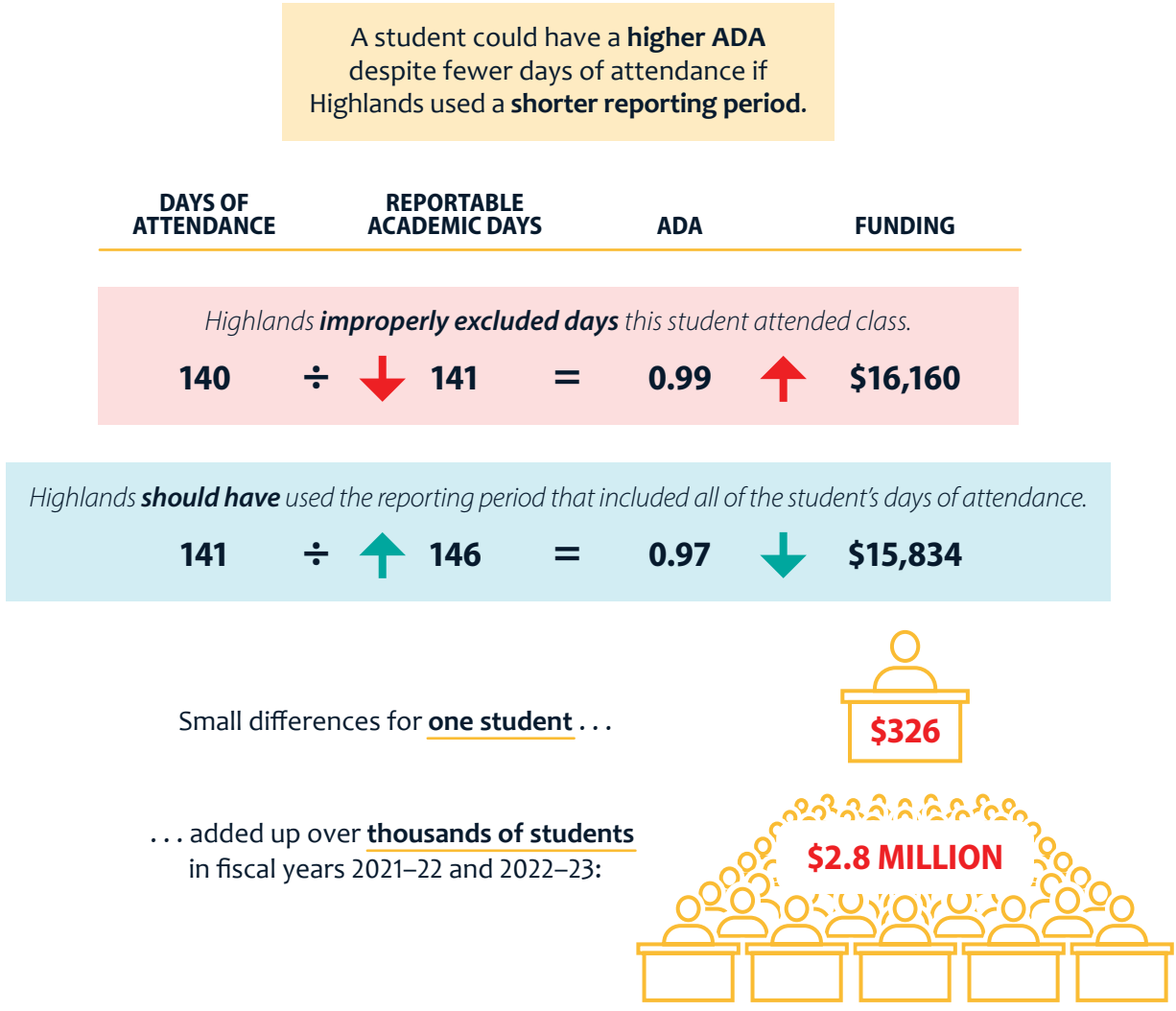
A significant portion of these overpayments resulted from Highlands inappropriately omitting periods of lower attendance from students' ADA when it reported ADA to CDE. State law allows charter schools some flexibility in how they develop reporting calendars and academic tracks but nonetheless requires schools to report all of a student's days of attendance. However, Highlands intentionally reported students' attendance in a manner that omitted periods of lower attendance when doing so increased the students' ADA for the school year. Specifically, Highlands did not report attendance periods for all students that aligned with the students' first day

[5] We break down which disallowed funding amounts are included in the $177 million in disallowed funding based on modes of instruction in Appendix C.

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of attendance. Instead, Highlands reported certain students' attendance as if the students had begun attending its schools at a later date, improperly excluding earlier periods in which those students had lower attendance. Including those earlier periods would have resulted in lower ADA than that which Highlands ultimately reported to CDE. Consequently, Highlands artificially inflated its overall average attendance in fiscal years 2021–22 and 2022–23, which resulted in it inappropriately receiving an estimated $2.8 million in K–12 funding, as we show in Figure 5. Highlands explained that, in past years, it believed state law did not address the complexities of its education model and therefore allowed it to exclude dates of attendance in this way. However, both state law and CDE state that charter schools must include all days a student attended when calculating ADA.

Figure 5
A Hypothetical Example Demonstrating How Highlands Generated More Funding by Excluding Days of Attendance



Source: State law and Highlands' attendance data.

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Highlands Lacks Reliable Documentation to Support Its Reported Attendance

We found that HCCS cannot support the attendance it reported for funding with verifiable documentation for all 18 of the HCCS students we reviewed. State law requires charter schools to maintain written contemporaneous records that document all pupil attendance, and Highlands' electronic attendance reporting system (attendance reporting system) satisfies this requirement. However, Highlands has faced scrutiny over its attendance reporting, and our testing found no combination of paper or electronic attendance records—and in some cases no documentation—that matched the attendance Highlands' teachers reported within its attendance reporting system from fiscal years 2019–20 through 2023–24. Highlands' associate deputy director explained that because of increased pupil enrollment, it did not standardize its attendance processes with written policies or, before fiscal year 2023–24, require teachers to retain paper attendance sheets. The lack of supporting attendance records and policies for attendance prevents Highlands from demonstrating the accuracy of its reported classroom-based attendance at HCCS, which is used to calculate state K–12 funding.

We also found weaknesses in the support Highlands maintained for student attendance at CICA. State law requires schools operating independent study programs to compute ADA based, in part, on the daily time value of work products, as personally judged by a certificated employee. To comply with this, CICA requires its students and teachers to sign periodic learning reports that affirm that the student completed schoolwork. To support this, each learning report should contain two work products completed by the student during the attested period. However, in our review of the attendance for a selection of 30 students, we found one student for whom Highlands did not have enough learning reports to support more than three months of attendance. This resulted in more than $7,000 in disallowed funding, though our selection of 30 was less than one percent of CICA's overall enrollment of 3,000 students. We include this and the other ways we found that Highlands inappropriately received attendance enrollment funding in Figure 6. CICA does not have written policies and procedures for how it records attendance and could not explain why it did not have learning reports covering the attendance reported for this student. Additionally, while the laws governing independent study are not prescriptive about what a student work product must contain to be given a time value, we identified that the work products of all 30 students lacked the student's name or a date. Therefore, in our opinion there is a more than remote likelihood that CICA's learning reports are inaccurate.

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Figure 6
Highlands Inappropriately Received Funds in a Variety of Categories

Not Meeting Conditions of Funding → **Disallowed Funding: $177 Million**



HCCS was not eligible for any K–12 funding because it did not comply with funding requirements related to its mode of instruction, resulting in it inappropriately receiving $177 million over fiscal years 2022–23 and 2023–24.

Improper ADA Calculations → **Disallowed Funding: Estimated $5.5 Million**



Highlands' practices for calculating ADA did not comply with state law, resulting in inflated ADA figures. $3.5 million of the $5.5 million is in addition to the $177 million above.

Insufficient Attendance Documentation → **Disallowed Funding: $7,000**



CICA could not substantiate the full attendance for one of 30 students. However, because we tested less than 1 percent of CICA's total enrollment, the amount of disallowed funding may be significantly larger.

Source: State law, CDE documentation, Highlands documentation, and auditor analysis.

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Highlands Has Engaged in Wasteful Spending and Inappropriate Hiring Practices

Key Points

- Highlands has made expenditures that waste public funds and violate state law, including prohibitions against conflicts of interest and gifts of public funds.
- Highlands has violated the few purchasing policies it has by not receiving board approval for large contracts and purchases, therefore impeding public transparency of its expenditures.
- Highlands has hired and promoted employees who are not qualified for their roles and has inadequate protections against nepotism.
- Highlands does not have written policies and procedures for assigning salaries and bonuses to its employees, and therefore lacks controls to prevent favoritism and ensure that employees receive compensation equitably.

Highlands Has Wasted Public Funds, Made Extravagant Travel Expenditures, and Spent Unjustified Amounts on Marketing

Highlands' inappropriate use of public funds has violated state law, best practices, and its own internal policies. Highlands receives public funding to operate and is therefore subject to the California Constitution's prohibition on the gift of public funds. To avoid violating this prohibition, when a charter school provides public money or resources to another entity, it must ensure that the money will be used to further the specific public purposes for which the school was created. This means that as a charter school, Highlands' expenditures must serve an educational purpose. In our review of 30 transactions at Highlands from fiscal years 2019–20 through 2023–24, we identified 15 transactions that Highlands was unable to demonstrate served an educational purpose. For example, we questioned the educational purpose of an $80,000 registration payment for the Independent Voter Project Business and Leadership Policy Conference, as item six in Table 1 shows. This total covered seven days of attendance and lodging for seven employees and one consultant at the Fairmont Kea Lani in Maui, where the conference occurred. Highlands also paid $1,630 for an additional night at the hotel for one employee as well as flights for its employees, in addition to the $80,000 registration payment. Given the lack of apparent educational purpose, this expenditure raises concerns about whether it is an impermissible gift of public funds. Further, we identified two other transactions that violated the gift of public funds prohibition. Finally, we also identified a transaction that violated state law prohibiting conflicts of interest. Beyond the concerns about questionable educational purposes, Table 1 includes a selection of the total transactions we reviewed and our other accompanying concerns, as well as Highlands' perspective on the purpose of the expenditures.

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Table 1
Highlands Engaged in Unlawful and Wasteful Spending of Public Funds

ITEM NUMBER	TYPE OF CONCERN	EXPENDITURE AMOUNT	DESCRIPTION	HIGHLANDS' PERSPECTIVE
1	Conflict of interest	$1,500 per month for two months	A director-level employee initiated a contract with his wife for mentor services.	The director was not aware that this was a violation.
2	Gift of public funds	$8,750	Holiday blankets for students that Highlands purchased from a vendor whose spouse is a director-level employee at Highlands.	Highlands purchased these student blankets as a gift for students at the holidays. This followed an internal tradition of giving a gift of small, nominal value to each student annually at the holidays.
3	Gift of public funds	$137,900	Six thousand beanies, scarves, and gloves as holiday gifts for students.	The beanie, scarf, and glove sets were designed to increase student engagement during the holiday season and demonstrated a token of appreciation from Highlands for being a part of the school.
4	Wasteful use of learning recovery emergency block grant	$1.96 million	Total cost, including lodging, travel, and food fees, to provide professional development to employees at the Manchester Grand Hyatt San Diego over three days in August 2023.	The learning recovery grant allowed for a unique and innovative way to hold training opportunities.
5	Wasteful travel expense	$2,600	Flight to Paris to attend a technology conference for an employee whose mother is on the board of directors.	This travel was to promote the use of Highlands' internal technology at a technology conference in Paris.
6	Wasteful travel expense, questionable educational purpose	$80,000	Travel registration for seven employees and one consultant to attend the Independent Voter Project conference in Maui.	Attendance at this conference was to hear concerns from legislators about their constituents to help identify how Highlands might be able to support those needs, rather than a traditional educational or professional development purpose.
7	Wasteful travel expense	$1,900	One of fourteen employee hotel stays at the Hilton Waterfront Beach Resort in Huntington Beach to attend a conference in Long Beach, 15 miles away from the hotel.	This travel was to attend the California Association of School Business Officials conference, and Highlands selected this hotel because the on-site hotel option was sold out.
8	Wasteful contract	$4,500 for one month	Project management of an internal education game that lacked a clear purpose and deliverables. Highlands spent a total of $147,500 on this vendor from fiscal year 2020–21 through 2022–23.	Highlands paid this consultant to help build out its in-house interactive learning game for English learners. Highlands decided not to use a pre-existing game because school employees did not think any existing game met the curriculum needs at Highlands.
9	Wasteful contract	$60,000	Contract for student recruitment and awareness that lacked a clear statement of work or contract deliverables.	This payment was to ensure that partnerships with specific organizations, such as a cosmetology school, occurred when Highlands expanded into the cities of Garden Grove and Elk Grove.
10	Wasteful marketing expense	$25,860	Sponsorship of Foothill High School Athletics with no proof that marketing occurred.	This sponsorship was to advertise to parents in the North Sacramento area because they could be students of Highlands.
11	Wasteful marketing expense	$50,000	Donation to the Asian Pacific Islander Legislative Caucus Foundation with no proof of specific marketing outcomes.	This donation was to receive training from the Foundation as well as for the Caucus to do student outreach on behalf of the school.

Source: Highlands' accounting records, financial documents, and interviews with Highlands staff.

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We identified two concerning transactions that benefited spouses of current director-level employees at Highlands. In one, a director-level employee initiated a contract for a $1,500 per month payment to his spouse for mentor services, as item one in Table 1 shows. In this instance, the forming of the contract constituted a violation of state laws that generally prohibit a government official, acting in his or her official capacity, from making or influencing a contract or governmental decision in which he or she has a financial interest. The director stated that he was unaware this was a violation and that he had not received any training from Highlands about it being a violation. In another concerning transaction, Highlands spent about $8,750 on blankets that it stated were a holiday gift for students, as item two in Table 1 shows. The spouse of a director-level employee owns the company that was the vendor for this transaction. While we obtained no evidence that indicates that the director-level employee influenced the decision to purchase blankets from his spouse, it raises concerns about Highlands' ability to prevent conflicts of interest in its purchasing practices. Highlands spent a total of $397,960 with this vendor from fiscal years 2019–20 through 2023–24. Further, because the blankets that Highlands purchased for $8,750 were a holiday gift to students and did not serve an educational purpose, this expenditure violated the prohibition on the gift of public funds.

As a steward of public funds, Highlands should adhere to best practices on internal controls, which can help protect against waste and abuse of funds. Government Auditing Standards define *waste* as the act of using or expending resources carelessly, extravagantly, or to no purpose. Importantly, the standards say, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight.

Highlands had vague and inconsistent contracting language that did not ensure adequate justification of the contract vendors and amounts, which resulted in wasteful contracts. In one example, Highlands entered into a contract with an individual for student outreach and support services that commenced on September 1, 2022, and ended December 20, 2022. The contract authorized two $30,000 payments, one in early October and one in early November 2022, for a total of $60,000, as item nine in Table 1 shows. Highlands' own policy for consulting contracts requires that the agreement clearly state the purposes of the contract, a statement of work, and a clear description of what the consultant's end product shall be, among other requirements. As the text box shows, the contract stated that its purpose was student recruitment and awareness but lacked a clear statement of work and a clear description of the end product. Highlands' chief business official stated that the purpose of the contract was to develop partnerships with certain organizations, such as a cosmetology school, for Highlands' planned expansion into the cities of

Stated Scope of Services for This Contract:

I. Support and ongoing student recruitment in support of the Garden Grove expansion. Bring awareness to the local community about the opportunities and experiences offered by Highlands Community Charter Technical Schools.

II. Student awareness and outreach in the Orange County region.

III. Student awareness and outreach in the Elk Grove region.

IV. Student education on programs, services, activities, career paths, or expertise to those outside the traditional education community.

Source: Memorandum of understanding between Highlands and this consultant.

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Garden Grove and Elk Grove. However, Highlands was unable to demonstrate any specific outcome of this contract, and the available evidence does not justify the $60,000 total for the contract for three months of work. We find it concerning that Highlands did not define clear contract deliverables that would have provided greater transparency and clarity regarding the extent and timing of the services provided.

Highlands also had a practice of spending unjustified amounts of K–12 funding on sponsorships of athletic programs, chamber of commerce foundations, and political organizations, which—in our opinion—appears wasteful and raises questions about whether they were for an appropriate purpose. Highlands' director of student engagement stated that the purpose of these sponsorships is advertisement and recruitment, which may serve an educational purpose, but in most sponsorships we reviewed, Highlands was not able to demonstrate a tangible marketing outcome. In one example, Highlands purchased a $25,860 sponsorship of Foothill High School Athletics, as item 10 in Table 1 shows. Highlands' director of student engagement asserted that the sponsorship included the placement of banners on Foothill High School's field fences and gymnasium, but did not retain any evidence that this marketing occurred. However, the $25,860 paid by Highlands for this sponsorship was the exact cost of multiple quotes for sporting equipment, such as a golf cart and batting mats, for Foothill High School. Foothill High School sent a list of sporting equipment and their accompanying quotes to Highlands stating, "we thank you for all you have done and your support of Foothill athletics." The lack of documented marketing activities and the sponsorship amount call into question Highlands' assertion that this payment was primarily for a marketing purpose.

The problems we identified during our testing of 30 transactions can be largely attributed to Highlands' lack of internal controls over its spending, including documented policies and procedures. Documented policies and procedures are a necessary component of internal controls because they better position an organization to design, implement, and operate its controls effectively. Further, documented policies are important because they establish expectations over accountability and set different responsibilities for those involved in the purchasing process. The current executive director considers any improper expenditure practices at Highlands to have stemmed from the absence of formal purchasing procedures, not the substance of the purchases themselves. He considers K–12 funding laws to be permissive and that any expense can be appropriate if it goes through a formal approval process that documents the justification for the expense and the vendor. However, as stated earlier in this section, expenditures of K–12 funding by a charter school must serve an educational purpose or the school risks violating the prohibition on the gift of public funds. FCMAT also states that one way to assess whether a purchase is appropriate is through a public scrutiny test. This test means asking whether the tax-paying public would view the expenditure as necessary to support public education. Highlands' chief business official asserts that the absence of policies and procedures for processes like vendor selection is because of the absence of any legal requirement to have them. However, as FCMAT's best practices state, because current laws do not cover all aspects of charter school operations, FCMAT provides a manual that goes beyond the law and official regulations to

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include information on best practices and sound internal controls essential to successful charter school operations throughout California. Without best practices in place, Highlands runs the risk of continued questionable or wasteful spending.

Highlands Did Not Always Comply With the Few Purchasing Policies It Had, Reducing Transparency to the Public

Highlands has not consistently complied with the limited purchasing policies it has had in place. For example, Highlands has had a policy since November 2021 to present consulting contracts of more than $100,000 to the Highlands board of directors (Highlands' board) for approval. We reviewed six contracts in total, and we identified two contracts from fiscal year 2023–24 for amounts over $100,000 that did not go before Highlands' board for approval. The chief business official stated that the lack of approval from Highlands' board stemmed from training deficiencies and lack of bandwidth. We also identified expenditures for a contracted consultant that exceeded $100,000 in the same fiscal year. While the actual costs exceeded the approval threshold that year, the contract itself lacked a maximum dollar amount, contrary to Highlands' purchasing policy. The chief business official stated that, because the original contract did not include enough specificity on the expected cost, Highlands did not have sufficient data to anticipate an overall cost for work during the year. Thus, Highlands did not follow its own policy and bring the contract before its board for approval. Highlands' board has since approved these contracts in May and June 2024. The chief business official stated that Highlands has since assigned its accounts payable manager to ensure constant monitoring of Highlands' fiscal policy compliance. He also stated that Highlands has adopted new contract templates to ensure consistency across the organization. While this template includes a maximum dollar amount clause, which would enable Highlands to more easily comply with its board approval policy, this does not negate the necessity for stronger internal controls to ensure compliance.

In 2023, Highlands also implemented a policy to obtain approval from its board for purchases over $1 million, but we identified two purchases over $1 million from fiscal year 2023–24 that did not receive approval from its board. One was for a T-Mobile transaction that totaled approximately $1.7 million. The other was for a Manchester Grand Hyatt San Diego bill that, in aggregate, cost approximately $1.2 million. The chief business official stated that its fiscal services department interpreted the T-Mobile bill by line item rather than total, and that the Manchester Grand Hyatt bill did not include any individual points-of-sale over $1 million. As a result, Highlands did not subject them to the approval requirement for a purchase over $1 million. Such an interpretation circumvents its controls of obtaining board approval for large purchases, risking wasteful spending. The chief business official stated that there was no intentional choice to structure these payments in order to circumvent the policy at the time. He added that it is his opinion that in cases such as these, no matter the circumstance, if a transaction crosses the threshold, it should become a board action. The chief business official also stated that this general practice has changed, and that Highlands now presents composite purchases that total over $1 million to its board for approval. He presented the T-Mobile purchases to the board for retroactive approval in June 2024. However, Highlands

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only presented the Manchester Grand Hyatt total cost to the board as an informative item after the purchase. It never received formal approval, and, in fact, the purchase should have been approved before it took place. Additionally, regardless of approval, this purchase indicates wasteful spending of K–12 funding.

The policies Highlands does have are also insufficient for ensuring transparency to the public. FCMAT states that one of the fiduciary responsibilities for the executive director, board, and other key management personnel at a local educational agency (LEA) is the duty of disclosure. One outcome of requiring board approval for large purchases is that it subjects those approvals to the Ralph M. Brown Act, which generally requires that the meetings of local boards, including charter school boards, be open to the public. By allowing the executive director to make purchases up to $1 million without board approval, including any nonconsultant contract, Highlands can obscure its financial decision-making above certain thresholds from the public. This approval threshold is far higher than that used by other LEAs. Twin Rivers, for example, has a board policy that requires board approval for all contracts over $35,000. Additionally, state law requires school district governing boards to competitively bid and award any contracts involving an expenditure of more than $50,000, adjusted for inflation, to the lowest responsible bidder. The State Superintendent of Public Instruction annually adjusts the $50,000 amount specified in state law, and some school districts authorize their superintendents to make purchases under that annual amount. In 2025, that amount is $114,800. While Highlands is not subject to this law, it demonstrates the common practice at other LEAs. In January 2025, Highlands updated its purchasing authority limits to require all purchases over $250,000 to receive board approval.

Highlands Hired and Promoted Unqualified Individuals and Had Inadequate Protections Against Nepotism

Highlands has hired and promoted multiple employees who are not qualified for their positions, in part, because it does not have a formal hiring process. In our review of 27 employees, we found 10 employees who did not meet Highlands' required qualifications for their positions and five additional employees for whom Highlands retained no documentation of the employees' qualifications. Our testing included eight leadership positions, and of those, four were not qualified and three others had no documentation of their qualifications. For example, one of the current deputy directors did not have a master's degree, which the role requires. The role also requires eight years of progressive experience, five of which are required to be in site-based and district leadership capacities, and this employee only had four years at the time of hire. We also include four other examples of our concerns with hiring and promotions in Figure 7. Highlands' director of human resources began documenting its then-informal hiring process in summer 2024, at the end of the period we reviewed in our audit and is currently working towards implementing a formal interview tracking system for job applicants. While this may improve Highlands' internal documentation of the hiring process, Highlands must also ensure that the individuals it hires meet the qualifications of their positions.

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Figure 7
Highlands Hired and Promoted Multiple Employees Who Were Not Qualified



Not properly qualified and may have benefited from a pre-existing relationship

Current Associate Deputy Director making $174,340:

This employee obtained an interview for this position despite lacking the required qualifications, in part, through a pre-existing relationship with the former executive director, according to the current executive director. The position included a $50,000 salary increase and requires five years in public school administration, but the employee's resume and hiring documentation showed that they lacked this required experience by several years.

Current Director of Attendance and Admissions making $145,860:

The current executive director believes that this employee obtained initial employment at Highlands, in part, through **their mother's membership on its board**. Highlands' current documentation shows that the **employee does not have the proper qualifications for their current role**.



No documented qualifications and may have benefited from a pre-existing relationship

Former Compliance Officer making $89,650:

This employee gained their employment, in part, through their **pre-existing relationship with the former executive director**, and the role did not require a consistent full-time workload, according to the current executive director. **Highlands has no resume on file.**

Former Special Projects Coordinator making $104,660:

This employee **knew the former executive director**, who urged them to become a full-time employee at Highlands. According to the current executive director, the role did not require a consistent full-time workload. **Highlands has no resume on file.**

Source: Highlands' employment records and interviews with the current executive director.

Highlands' policy allows for the hiring of relatives of current employees and does not prohibit relatives from being in a position to hire each other, which does not adequately protect against favoritism or other unfair hiring practices. In our review, we identified 11 employees that have had at least one relative hired by Highlands during their tenure. This includes one of the deputy directors, whose son is an instructional paraeducator. Highlands was not able to locate any hiring documentation for these 11 employees' relatives. As a result, it is unable to

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demonstrate whether the preexisting employees were or were not in a position to hire their relatives who now work at Highlands. Although state law prohibits nepotism in the state workplace and limits the ability of school districts to hire the relative of a governing board member, these restrictions do not apply to charter schools. According to FCMAT's best practices, although nepotism is legally permissible for charter schools, it is often viewed as unfair and may suggest more questionable behaviors such as cronyism. FCMAT further states that a charter school may hire family members as long as there is a policy allowing it and as long as the family member abstains from serving on the interview panel and from any vote to approve a family member's employment. Highlands' employee handbook only indicates that it can hire relatives of current employees if the concerned individuals are not in a direct supervisory relationship with one another and the employee will not pose difficulties for supervision, security, safety, and morale. As stated above, it does not prohibit family members from serving on an interview panel or voting to approve a relative's employment.

In another example, Highlands was unable to demonstrate that the job duties and functions for a certain role warranted a full-time, salaried position. The former special projects coordinator stated that his primary responsibilities were to expand awareness of Highlands in the local Black community and host a radio show, as well as perform any additional tasks at the request of the former executive director. The job description Highlands has on file for special projects coordinator describes the position's essential roles and responsibilities to include building, refining, producing, and monitoring the HCCS Local Control Accountability Plan (LCAP) with all conditions being met for State compliance mandates, being the WIOA coordinator, as well as multiple other responsibilities. The job description does not specifically describe any responsibilities that include marketing Highlands to a targeted demographic or expanding Highlands' presence in the local community. As a result, we question whether the former special projects coordinator performed the responsibilities outlined in his job description and whether his actual responsibilities justified a full-time position paying nearly $105,000 annually. Further, the radio show airs once a week for an hour and is on KDEE 97.5 FM, a subsidiary of the California Black Chamber of Commerce Foundation. The former special projects coordinator also served as the President and CEO of the California Black Chamber of Commerce while employed at Highlands. Highlands paid the California Black Chamber of Commerce Foundation $50,000 twice in a sponsorship of this radio show during this time. By providing this individual with a salaried position at Highlands while he also served as the President and CEO of the California Black Chamber of Commerce, the foundation of which Highlands has sponsored multiple times, Highlands ran the risk of facilitating the appearance of impropriety. For example, because this employee was the president and CEO of an organization that received funds from an organization of which he was also an employee, the public may assume that this person financially benefitted from these transactions.

Highlands does not have formal policies and procedures for assessing salaried employees' workloads and ensuring alignment with their full-time employment. Highlands' current executive director acknowledges that it had multiple positions that did not require a consistent full-time workload. The director of human resources indicated that it plans to implement procedures for assessing workload and alignment

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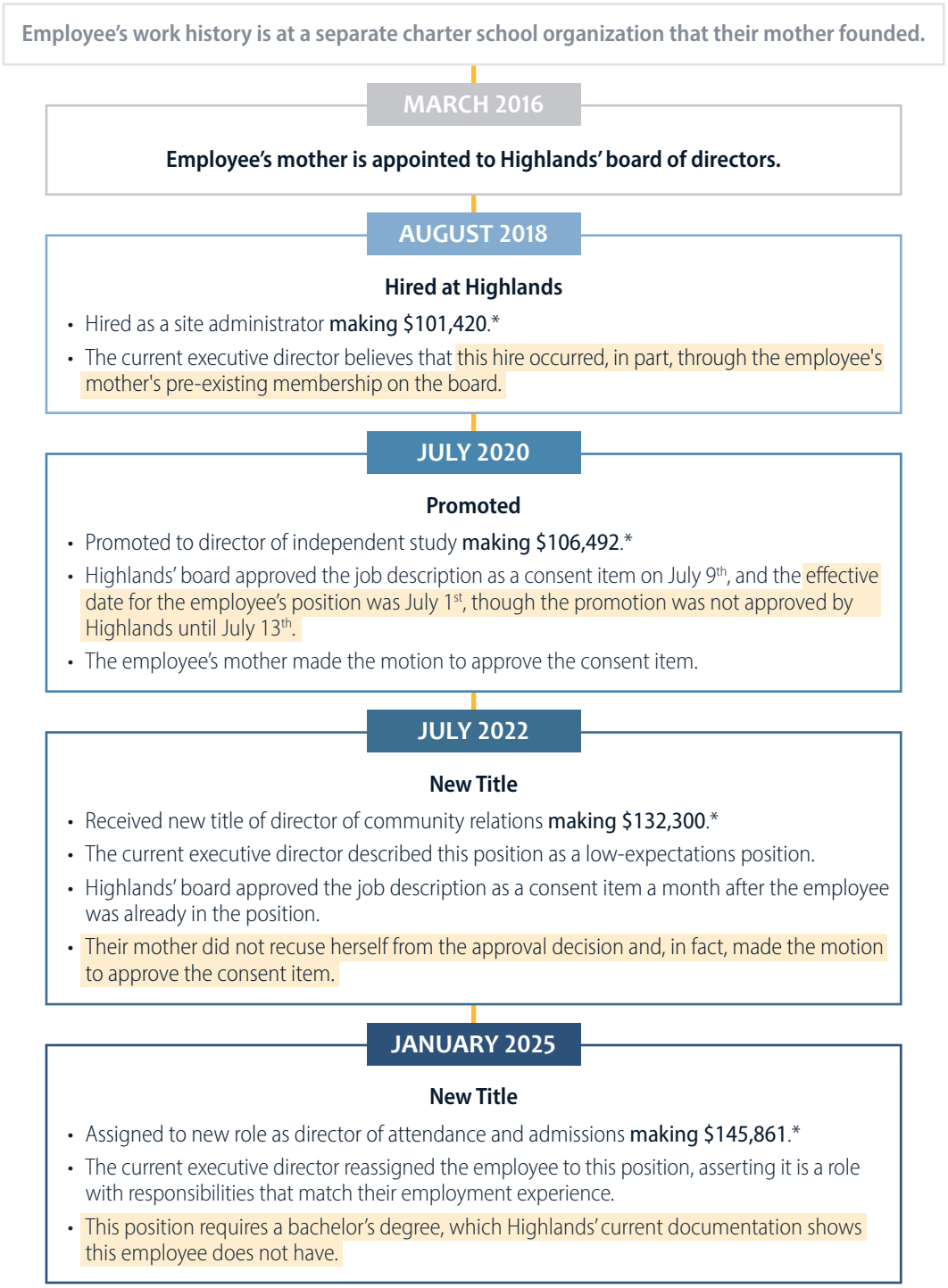
with full-time employment in 2025, stating that until then, supervisors are Highlands' primary resource for understanding and managing employee workloads. However, this has not been an effective practice for ensuring employees' workloads are commensurate with their titles and salaries because the executive director was the special projects coordinator's supervisor, but this did not ensure a full-time workload requirement. The current executive director has stated that since he began his tenure in July 2024, he has been identifying employees in positions that do not require a full-time workload and is working to eliminate their roles or eliminate the less than full-time expectation, such as the aforementioned special projects coordinator and the compliance officer described in Figure 7. He also stated that Highlands' past hiring practices have been inadequate to mitigate the potential for conflicts of interest, improper hires, and inappropriate uses of public funds. Several of the inappropriate hiring practices we discussed above occurred in the employment history of one director-level employee at Highlands, whom we include in Figure 7, and which we have also outlined in Figure 8.

Highlands' Lack of Policies and Procedures Created the Potential for Pay Inequity and Favoritism

Highlands' lack of standardized procedures for assigning salaries during initial hiring and promotions creates the possibility that employees with similar experience levels, qualifications, and performance may be compensated differently, creating the risk of pay inequity and favoritism. To demonstrate that salaries are assigned fairly and transparently among employees, an employer should base its salary ranges on measurable factors. Other schools and districts we reviewed base their salary schedules on metrics such as an employee's years of experience and educational background. However, in reviewing Highlands' salary schedules, we found that the pay steps on its salary schedules did not correspond with any specific requirements or metrics, such as experience and education. For example, in February 2023, Highlands' documentation shows that it changed the associate deputy director's salary from step three at $150,602 to step six at $174,340 without documenting the reason for the change. After receiving additional raises in July 2023 to $183,057 and again in September 2023 to $195,467, Highlands then promoted this employee in April 2024 to deputy director, a position for which he was not qualified, starting him at step five for that position at $226,278 without justification. The former executive director approved all of these raises and promotions. Highlands' chief business official acknowledged that its lack of procedures for assigning salaries and awarding raises resulted in a lack of uniformity in employee compensation and asserted that Highlands is working to create a process for awarding raises based on performance rather than the opinion of its executive director. According to Highlands' current executive director, its director of human resources is currently coordinating with a vendor to complete an extensive salary schedule review and comparison report to prepare for the fiscal year 2025–26 salary schedule. Nevertheless, Highlands should ensure that it has policies and procedures for the proper placement of employees on the salary schedule.

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Figure 8
The Current Director of Attendance and Admissions Appears to Have Benefited From Nepotism and Does Not Meet the Minimum Qualifications for Their Current Position



Source: Highlands' employee records and other documents, and interviews with the current executive director.

* The salary amounts represent point-in-time information. This individual's salary increased incrementally over time while in each position at Highlands.

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During our review of 16 employees' compensation, we identified one employee who had a pay rate above the highest salary step for that position. In July 2023, Highlands assigned the current director of student engagement an annual salary of $183,057, when the highest step for his position was $177,295. Although the former executive director approved the salary increase, the documentation did not contain any justification as to why Highlands should assign a salary above the maximum allowed. In April 2024, Highlands then provided the current director of student engagement with a raise, bringing his annual salary to $205,240 or nearly $28,000 above the highest step for his position. The employee update documentation cited a district-wide salary adjustment as the reason for the increase. According to Highlands' chief business official, the former executive director had the ability to assign employees a salary above the maximum step at his discretion, but that this occurred in a limited number of cases. He further said that Highlands plans to discontinue this practice. However, until it ties its salary schedules to established measures and consistently adheres to those schedules, Highlands risks giving the appearance of unfairness.

Highlands also lacked standardized written procedures for assigning bonuses, creating additional potential for inequity or favoritism. Highlands does not have written policies and procedures governing how often bonuses should be awarded or how much employees should receive. Highlands' director of fiscal services asserted that historically, its fiscal team communicated how much money was available for bonuses each year, and its executive director decided how much to award employees. Highlands generally provided employees with standard bonuses of $10,000 for fiscal years 2020–21 and 2021–22, and $20,000 for fiscal year 2022–23, prorated for length of employment that year. However, we found two instances where Highlands employees received more than the standard bonus amount for that year. One employee received a total of more than $16,700 in bonuses for 2021–22, when the bonus amount for that year was $10,000. According to Highlands' director of fiscal services, this larger bonus was at the request of the executive director. Highlands was not able to find any additional information to explain why this employee received more than the standard bonus amount. Further, the former executive director himself received a total of $46,000 in bonuses for fiscal year 2021–22. This included a $36,000 retention bonus and a $10,000 bonus. Highlands provided documentation showing that the board approved a retention bonus for the former executive director, and the director of fiscal services indicated that the bonus was $4,000 for each of the nine years he had been working at Highlands. Until Highlands creates standardized written procedures for assigning bonuses, it will be vulnerable to potential claims of favoritism or unfairness from its employees.

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Unqualified Teachers and Large Student Enrollment May Contribute to Poor Student Outcomes at Highlands' Schools

Key Points

- A lack of published guidance from the California Commission on Teacher Credentialing (CTC) and Highlands' poor internal controls resulted in a majority of Highlands' teachers not being appropriately credentialed for their assignments, which may negatively impact students' quality of education.
- Highlands does not comply with state law and best practices regarding student-to-teacher ratios, which may negatively impact students' quality of education.
- Highlands demonstrated poor graduation rates and grade progression outcomes while avoiding key components of accountability, including by misreporting in its School Accountability Report Cards (accountability reports) and not participating in statewide assessments by purposefully choosing not to offer grade 11.

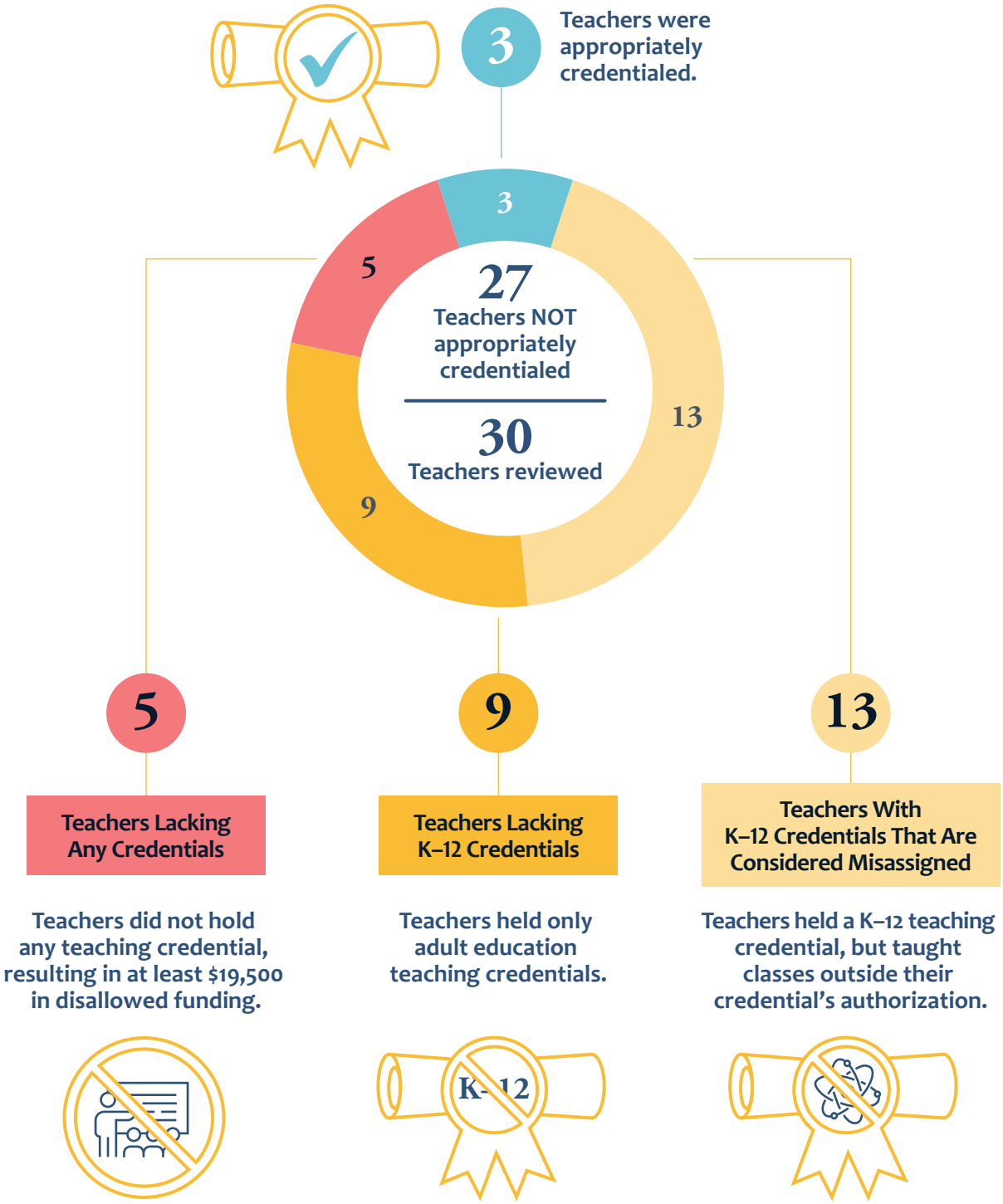
Highlands' Students Did Not Always Receive Instruction From Appropriately Credentialed Teachers

Some of Highlands' teachers we reviewed lacked any teaching credentials, calling into question whether it should have received funding for the students of those teachers. State law requires teachers in charter schools to have the certificate, permit, or other document from CTC that is required for the teacher's certificated assignment. However, 27 of the 30 Highlands teachers we reviewed did not have the appropriate credentials for the classes they taught. Specifically, five of those 27 Highlands teachers did not hold any valid teaching credentials, as Figure 9 shows. Since Highlands receives K–12 funding, the students of these five teachers generated K–12 funding for Highlands when they attended those teachers' classes. State law requires that, as a condition of funding for classroom-based instruction, such instruction should occur only under the supervision of an employee with a valid certification document. Similarly, independent study schools, such as CICA, may claim apportionment credit for independent study only to the extent of the time value of pupil participation or work products, as personally judged by a certificated employee. Therefore, a charter school would not be eligible for K–12 funding for students taught by instructors without any valid certification documents.[6] We identified that with our selection of just one student from each of the five instructors who did not hold a valid credential, Highlands received more than $19,500 in disallowed K–12 funding from fiscal years 2019–20 through 2022–23. This total neither accounts for each instructor's complete student roster, nor for the teachers that we did not include in our review selection, implying that the actual amount of disallowable K–12 funding Highlands received is much higher than the calculated $19,500.

[6] According to state law, school districts or county offices of education will be assessed a penalty for any teacher of grades K–12 who does not hold a valid certification document. Such penalties for teachers who do not hold a valid teacher credential do not apply to charter schools. However, as discussed above, K–12 funding is dependent on whether instructors have valid certification documents.

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Figure 9
27 Out of 30 of Highlands Teachers We Reviewed Were Not Appropriately Credentialed



Source: Highlands' human resources system, credentialing documentation, and analysis.

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Further, we identified 22 of the 27 teachers who had a teaching credential but did not have the appropriate credential for the setting or course they were teaching. State law defines *misassignments*, in part, as the placement of a certificated employee in a teaching position for which the employee does not hold a legally recognized certificate or credential. For instance, a teacher holding a single-subject biology credential teaching a course requiring a math credential is considered misassigned. We identified instances in which a Highlands teacher taught a career technical education (CTE) class, a program of study that integrates core academic knowledge with technical and occupational knowledge to provide students with a pathway to postsecondary education and careers, without a CTE credential. Instead, the teacher held a single-subject credential that would only allow them to teach a class that is authorized on their single-subject credential. We identified 13 of the 22 above-mentioned teachers who held teaching credentials but taught classes outside their credential's authorization. Further, of the 22 Highlands teachers possessing inappropriate teaching credentials, nine teachers were not appropriately credentialed to teach at an adult-serving K–12 institution like Highlands and instead only possessed adult education teaching credentials. According to CTC's assignment monitoring program manager, a teacher must hold a K–12 credential, not an adult education credential, to be the assigned teacher for general education courses in a K–12 setting, even if the students are adults. As Table 2 shows, only 44 percent of Highlands' credentialed staff hold a credential that authorizes them to teach in a K–12 setting, with many holding only an adult education teaching credential.

Table 2
Less Than Half of Highlands' Staff With Teaching Credentials Are Authorized to Teach in a K–12 Setting and Many Hold Only Adult Education Teaching Credentials

	NUMBER OF STAFF HOLDING THIS CREDENTIAL	TOTAL CREDENTIALED STAFF HOLDING K–12 OR ADULT EDUCATION TEACHING CREDENTIALS	PERCENTAGE OF STAFF WITH THIS TEACHING CREDENTIAL
Staff Who Hold a Credential Authorizing Them to Teach in a K–12 Setting	118	271	**44%**
Staff Who **ONLY** Hold a Teaching Credential Authorizing Them to Teach Adult Education	153	271	**56%**

Source: CTC and Highlands' human resources system.

When teachers do not have appropriate teaching credentials, schools are required to report them as misassignments. However, Highlands was not transparent in its accountability report about how many misassignments it had. According to state law, accountability reports must include the total number of teachers working without credentials, any assignment of teachers outside their subject area of competence,

and misassignments. In its fiscal year 2022–23 accountability report, Highlands reported 33 teachers considered to be misassigned. CTC's assignment monitoring program manager stated that a data query from the California Statewide Assignment Accountability System (CalSAAS), CTC's assignment monitoring system, indicated that Highlands had 125 teachers misassigned, equating to more than 400 courses that were misassigned that year.[7] Highlands' credential coordinator stated that, before July 2024, her team was not aware of Highlands' requirement to submit misassignment data to CalSAAS, and that it is her understanding that Twin Rivers reported Highlands' misassignment data for them for fiscal year 2022–23. Before July 2024, she explained that Twin Rivers had not provided guidance or instruction about reporting misassignment data. She explained that she had used a spreadsheet to track misassignments until Twin Rivers informed them of the requirement to submit misassignment data to CalSAAS.

Highlands' misassignments are, in part, due to Highlands not having written policies and procedures in place to ensure that its teachers are appropriately credentialed. Internal control standards from the Government Accountability Office (GAO) emphasize the importance of documentation for the effective design, implementation, and operating effectiveness of an entity's internal control system. The GAO defines internal control as the plans, methods, policies, and procedures used to fulfill an entity's goals and objectives. Highlands' former director of curriculum and program development stated that Highlands may have had documents that outline policies, procedures, or practices but that she was not aware of any of those documents. She said that Highlands may not have developed written policies and procedures for ensuring that all its teachers were appropriately credentialed because it believed that its practices were in compliance with charter school and CTC requirements. She also explained that she believes that most charter schools typically do not develop their own policies or develop them on an as needed basis because they can rely on the charter authorizer's policies, if necessary. Nevertheless, Highlands has a responsibility as a charter school to abide by state law to ensure that its teachers hold valid certificates, permits, or other documents required for their assignments, and policies and procedures are a key control to ensure that teachers have appropriate credentials.

Further, a lack of published guidance from CTC left both Highlands and Twin Rivers unaware that adult education credentials are not appropriate within K–12 settings, even for an adult-serving K–12 school. According to CTC's certification division director, CTC is typically not involved with monitoring an LEA's misassignments unless a monitoring authority or an LEA raises a concern that requires CTC to further evaluate the outcomes. However, as the state entity responsible for setting credentialing standards, CTC did not publish the appropriate teacher credentialing requirements for charter schools like Highlands, ultimately resulting in many of Highlands' misassignments. As discussed in the Introduction, Highlands operates two K–12 charter schools that receive K–12 funding, which is primarily based on the school's reporting of ADA by grade level. Highlands reported to CDE that its

[7] Because Highlands did not report updated misassignments information in its fiscal year 2023–24 accountability report, we use the latest available misassignments information from fiscal year 2022–23. CTC's assignment monitoring program manager asserted that CalSAAS data indicated that Highlands had 186 teachers considered misassigned resulting in more than 1,100 misassigned courses in fiscal year 2023–24.

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schools are teaching students in grades 9, 10, and 12.[8] However, CTC's website, which documents types of credentials and their requirements, did not specify whether an adult education credential is authorized for teaching in a K–12 setting. Highlands followed a recommendation from the San Diego County Office of Education that its instructors could hold an adult education credential, leading to most of its credentialed staff holding an adult education credential, as Table 3 shows. According to Highlands' chief business official, Highlands selected the San Diego County of Education to provide credentialing advice because it was one of, if not the only, available option, that provides the adult education credentials. Twin Rivers' certificated human resources manager stated that she reviewed Highlands' misassignments based on her understanding that Highlands schools were designated as adult education schools. As of March 2025, CTC has updated its website to specify that adult education credentials do not authorize the holder to provide instruction in traditional K–12 public schools, including charter schools.

Table 3
Highlands Staff Had Various Types of Teaching Credentials, as of October 2024

TYPE OF TEACHING CREDENTIAL	NUMBER OF STAFF WITH CREDENTIAL TYPE
Adult Education Teaching Credential*	220
Career Technical Education Teaching Credential	35
Designated Subjects Adult Education Teaching Credential: Full Time*	5
Education Specialist Instruction Credential	7
Multiple Subject Teaching Credential	33
Single Subject Teaching Credential	48

Source: Highlands' human resources system.

Note: Some staff hold more than one credential type; thus, the total will exceed the total number of credentialed teachers at Highlands, as seen in Table 2.

* According to CTC, adult education teaching credentials do not authorize the holder to provide instruction in traditional K–12 public schools, including charter schools.

Highlands may also have previously had teacher's aides inappropriately teaching classes. State law defines *instructional aides*, also known as paraeducators, in part, as a person employed to assist classroom teachers in the performance of their duties, in the supervision of students, and with other tasks. While paraeducators do not have to perform their duties in the physical presence of a certificated teacher, state law dictates that the teacher shall retain his or her responsibility for the instruction

[8] Highlands reported to CDE that it did not enroll students in 11th grade for fiscal years 2014–15 through 2023–24, as we discuss later in the report.

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and supervision of his or her students. Although our on-site observations of four separate Highlands locations did not identify any instances of paraeducators taking on a teacher's role, survey responses and Twin Rivers' concern indicate that this has happened in the past. In addition to the on-site visits, we conducted an online survey that asked Highlands staff whether, during their employment as a paraeducator at Highlands, anyone had asked them to teach a class. Of the 136 individuals who answered, 37, or more than 25 percent, stated that they had. Twin Rivers even expressed concern to Highlands about the possibility of Highlands hiring paraeducators into teaching positions without holding the proper credentials or proficiencies. Highlands' credentialing coordinator explained that if paraeducators took on a teacher's role, it was likely due to Highlands attempting to alleviate teacher staffing issues and to accommodate its growing student population. She also attributed this issue to Highlands' lack of established policies and procedures since Highlands' credentialing team does not have the proper guiding principles to ensure that such instances do not occur.

Teachers without proper training and certification may negatively impact students' quality of education and student outcomes. For example, a paraeducator at Highlands is only required to have a high school diploma and pass an English exam with a score of 70 percent or better while Highlands' teachers are required to hold a bachelor's degree and a valid teaching credential. Similarly, inappropriately credentialed teachers, such as those teaching classes without the appropriate teaching credential for the class subject, may not have the necessary subject expertise. Without this knowledge and training, Highlands' students may not receive the same quality of education that they would from an appropriately credentialed teacher. Multiple studies have highlighted the importance of educational credentials and how certificated teachers consistently produce stronger student achievement gains than do uncertified teachers. One article from the European Journal of Teacher Education emphasized that subject-specific training of teachers is responsible for more effective teaching, resulting in higher student proficiency. Another publication stated that students earn significantly and substantially lower exam scores when taught by out-of-field teachers compared to their peers taught in-field. Because a teacher's training and qualifications may impact the quality of the education they provide to students, it is important for Highlands to ensure that its instructors have the necessary education and experience to be an instructor.

Highlands' Large Student-to-Teacher Ratios May Hinder Its Ability to Provide Quality Education

For fiscal year 2023–24, CICA exceeded the state law maximum average daily attendance-to-certificated employee ratio (student-to-teacher ratio), resulting in it receiving millions in disallowable K–12 funding. Since CICA consists entirely of independent study courses, state law specifies that CICA must abide by the student-to-teacher ratio of the largest unified school district in the county or counties in which they operate, the specific independent study ratio negotiated in a collective bargaining agreement, a fixed ratio of 25:1, or a ratio of less than 25 students per teacher. According to Highlands' chief business official, CICA, as an independent study school, maintains a 25:1 student-to-teacher ratio. We calculated that CICA had

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a student-to-teacher ratio of 28:1 for fiscal year 2023–24. While state law does not prevent charter schools from serving additional units of ADA above the 25:1 ratio, charter schools are not eligible to receive funding for those additional students. Since CICA had a student-to-teacher ratio that surpassed the state law requirement, we calculated that CICA received $5.6 million in disallowed K–12 funding in fiscal year 2023–24 for the units of ADA that surpassed the 25:1 ratio. This $5.6 million in disallowed K–12 funding is in addition to the $177 million and $5.5 million in disallowed funding mentioned earlier in the report.

Highlands' classroom-based school, HCCS, also had a high student-to-teacher ratio. Although state law regulates class sizes in school districts until the 8th grade and authorizes CDE to impose fiscal penalties on school districts that exceed those class sizes, it does not specify a maximum class size for grades 9 through 12. In the absence of a requirement in state law for student-to-teacher ratios for classroom-based charter schools, we reviewed the student-to-teacher ratios published by the National Center for Education Statistics for four traditional public and charter K–12 schools in the Sacramento Area, of which the highest student-to-teacher ratio was 22:1. Additionally, in absence of its own ratio, Highlands provided a list of maximum class sizes for other schools in the Sacramento Area, with the schools having maximum class sizes ranging from 34 to 37 students. For fiscal year 2023–24, we calculated that HCCS had a student-to-teacher ratio of 51:1. HCCS' student-to-teacher ratio of 51:1 for fiscal year 2023–24 far surpasses the student-to-teacher ratios and maximum class sizes of neighboring schools and school districts.

High student-to-teacher ratios can reduce the quality of the education teachers are able to provide. An international study that includes data from more than 20,000 schools across 80 countries highlighted that the number of students in a class has a considerable impact on both the educational experience students have and the academic results they may attain. It emphasized that smaller class sizes have demonstrated that instructors can provide students with a more tailored education, which increases the likelihood of meeting each student's requirements and concerns. In California, state legislation has recognized the importance of appropriate class sizes by establishing programs intended to reduce or limit classroom size. However, without processes in place to ensure that its class sizes are reasonable and that it abides by student-to-teacher ratio requirements and best practices, Highlands may limit the quality of education it provides to students.

Some of HCCS' classes have hundreds of students listed on the roster, and its classrooms may have been overcrowded in the past. For fiscal year 2023–24, Highlands' course enrollment data listed multiple HCCS classes with over 300 average daily enrolled students. Similarly, Highlands' data listed some CICA classes with over 60 average daily enrolled students that same year. Although Highlands had large enrollment counts in some classes for fiscal year 2023–24, we did not see overcrowding in the HCCS classrooms we visited in 2024. The classrooms we observed while conducting the audit had, at most, 33 students at one time, and students did not appear to be lacking access to instructional materials and technology. Further, our survey of employees asked how often students have been provided sufficient instructional materials and 84 percent of the nearly

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300 respondents who taught classes indicated that students always or usually had sufficient materials. However, an instructor we spoke with stated that in the year before our audit began, her class frequently had more students than chairs available.

Highlands' rapidly increasing student population emphasizes the importance of Highlands having policies and procedures in place to ensure that they meet requirements and best practices for student-to-teacher ratios. With a reported student population of 3,500 students in fiscal year 2019–20, Highlands' student population significantly increased in fiscal year 2022–23 to nearly 9,000 students. Although it reported enrolling more than 12,200 students in fiscal year 2023–24, Highlands does not have formal procedures for calculating and monitoring its student-to-teacher ratios and instead relies on guidelines set by the State for those calculations. Highlands' deputy director stated that because of its rapidly increasing enrollment and the fact that there is no required student-to-teacher ratio for grades 9 through 12, Highlands has not prioritized establishing such policies or procedures. However, having more students only increases the importance of taking measures to ensure that it is able to provide a quality education to those students by having reasonable class sizes.

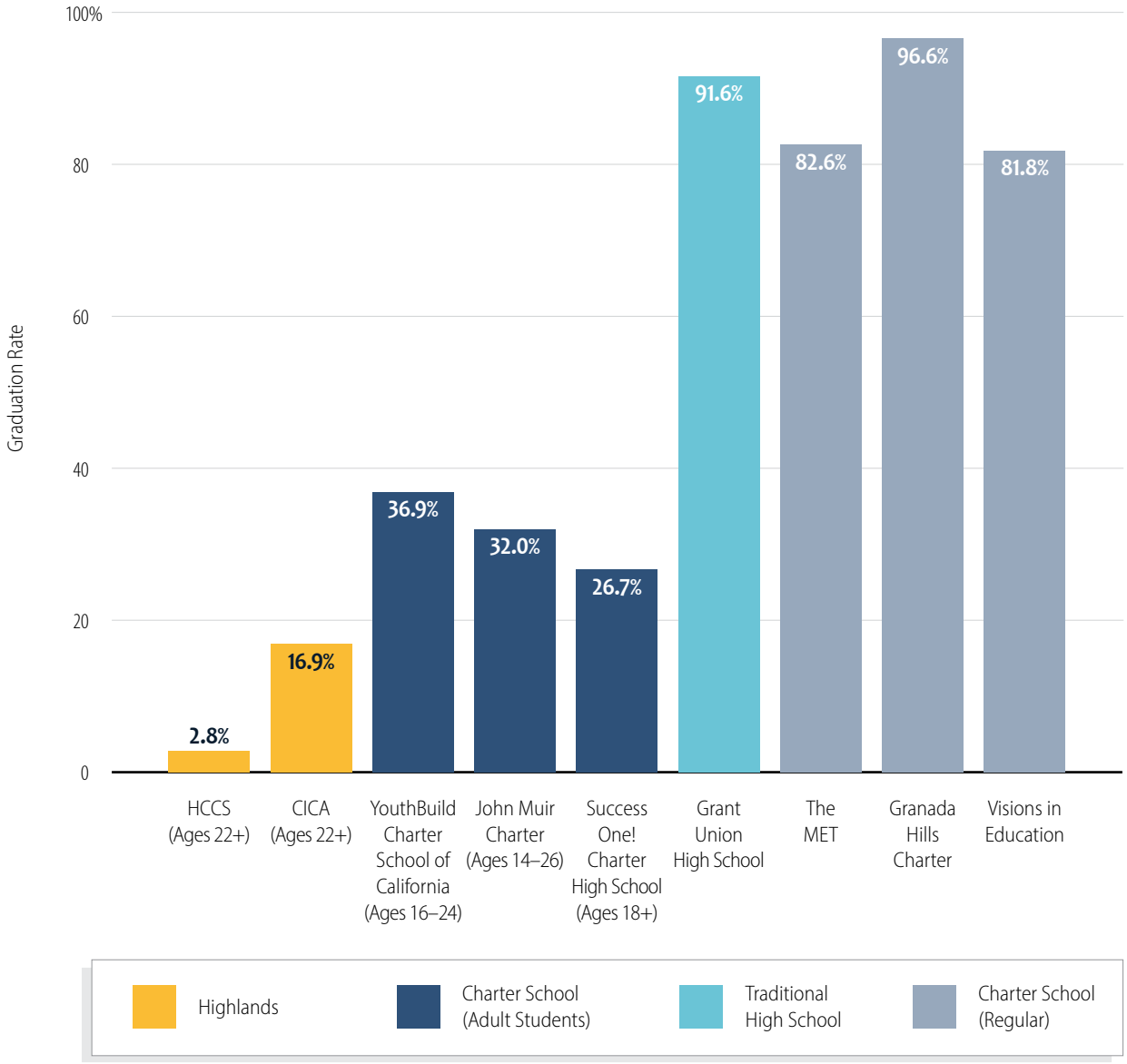
Highlands Avoided Accountability for Its Poor Educational Outcomes and Misreported Data About Its School Performance

Highlands' schools had significantly low graduation rates, calling into question the effectiveness of the K–12 funding it receives. Although Highlands does not enroll students in the 11th grade, it awards diplomas to students based on the credits they earned by attending the 9th, 10th, and 12th grades. HCCS had a graduation rate of 2.8 percent in fiscal year 2023–24, indicating poor student outcomes. In Figure 10, we compare HCCS' and CICA's graduation rates with those of a traditional high school, charter schools, and adult-serving charter schools based on CDE's graduation rate data. HCCS' graduation rate is considerably lower than the other K–12 schools in our comparison. In fact, HCCS' graduation rate of 2.8 percent was the lowest of all schools in the State that had at least 100 students included in the calculation for fiscal year 2023–24. CICA's graduation rate for this year is closer to the range of other adult-serving charter schools in our comparison, but still only 16.9 percent. According to a Highlands associate deputy director, Highlands underreported its number of graduates to CDE because of a misreporting issue. However, our analysis of Highlands' data showed that only 293 HCCS students and 320 CICA students received a diploma in fiscal year 2023–24. Therefore, HCCS' maximum graduation rate for this year, if all these graduates were included in the 2023–24 cohort, would be 8 percent, and CICA's would be 27.5 percent, which are still relatively low rates.[9]

[9] CDE defines the graduation cohort to include students who graduated within four years of enrolling in 9th grade plus any 5th year graduates.

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Figure 10
Highlands' Schools Had Significantly Lower Graduation Rates in 2023–24 Compared to Other High Schools, Including Other Charter Schools Serving Adult Students



Source: CDE's California School Dashboard data.

CDE's analysis, measurement, and accountability reporting division administrator emphasized the magnitude of Highlands' outcomes in a December 2024 presentation to state Assembly and Senate education staff. CDE's presentation highlighted that because of Highlands' growing size, its graduation, dropout, and chronic absenteeism

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rates were negatively skewing statewide accountability metrics. In particular, CDE pointed out that Highlands' schools dropped the statewide graduation rates for the 2023–24 school year by more than one-half percent, from 87 percent to 86.4 percent.

Because Highlands serves adults, we also compared Highlands' graduation outcomes with those of adult education programs, which were not included in Figure 10. Adult education programs measure education outcomes with a count of diplomas, so we used that outcome for comparison. Highlands reported to CDE that 1.3 percent of total HCCS WIOA students received a high school diploma in fiscal year 2022–23, which fell into the range of other adult education programs.[10] This indicates that although HCCS is funded as a K–12 school, it achieves graduation outcomes at a rate closer to adult education programs, which can receive significantly less funding than K–12 schools.

Highlands students also promoted to higher grade levels at a slow pace. From fiscal years 2021–22 through 2023–24, over 95 percent of returning Highlands students did not advance to higher grade levels, while only 2 to 4 percent progressed to a higher grade level each year. Because CDE does not collect or report data regarding student retention or grade progression, we compared this data to information from the National Center for Education Statistics, which is based on national survey data regarding students from kindergarten through grade 12. According to this publication, 2.6 percent of students in grades 9 through 12 were retained in 2022. Although these data are not specific to California, this 2.6 percent figure is drastically different from Highlands' 98 percent of returning students who did not advance to the next grade level in fiscal year 2021–22. Typically, charter schools may only receive K–12 funding for a student over the age of 19 if the student has been continuously enrolled and is making satisfactory progress toward the completion of a high school diploma. However, Highlands is exempt from this requirement by state law, which allows a school that provides instruction in exclusive partnership with WIOA to continue to receive funding for adult students who remain in the same grade level without progressing to the next.

A significant portion of Highlands students did not progress to higher level English courses from one school year to the next. Out of the 3,905 students who took the lowest level of English courses at Highlands in fiscal year 2021–22, 29 percent of them went on to repeat the same course both in fiscal years 2022–23 and 2023–24. In addition, this particular course had the highest enrollment of all English courses offered by Highlands each year during that period. Because Highlands does not participate in statewide K–12 standardized English assessments, as we discuss later, we compared Highlands to other adult education programs instead. We reviewed Comprehensive Adult Student Assessment Systems testing data for English as a Second Language (ESL) students, which is a test specific to adult education. Highlands' ESL students—60 percent of CICA students and 54 percent of HCCS students—achieved at least one English level gain at a higher rate than the adult education programs that we selected, which ranged from 40 to 50 percent.

[10] Because CICA was not a WIOA Title II grant recipient in the 2020–2023 cycle, CDE's adult education office did not monitor their outcomes using their data collection systems, so we did not report a rate for CICA.

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Nevertheless, because Highlands does not participate in statewide assessments, its ESL progress outcomes cannot be compared to other K–12 schools to which it is similarly funded.

Highlands has also avoided accountability for some of these poor student outcomes by not complying with reporting requirements, which may have misled its stakeholders. For fiscal year 2022–23, Highlands reported different graduation rates between its accountability reports and its LCAP, and neither of the rates match those that CDE posts on the California School Dashboard or on DataQuest, which is CDE's online data reporting system. Furthermore, Highlands did not comply with legal requirements for reporting on its accountability reports, such as by using the wrong calculation methodology for its graduation rate. Highlands' director of accountability and assessment indicated that this misreporting was unintentional, and Highlands plans to use the correct reporting methodology moving forward starting with fiscal year 2024–25. In January 2025, CDE informed Highlands that it did not follow accountability report guidelines, stating that 28 out of 43 required tables on the accountability report template were either missing completely or missing components in the 2022–23 accountability report. When it released its 2023–24 accountability report, Highlands' current executive director stated that Highlands approached the 2023–24 accountability report as an opportunity to set a new standard, claiming that they believe its more recent submission is a fully compliant document.

Furthermore, Highlands does not participate in California's statewide student assessment system, reducing transparency about the quality of education it provides. CDE posts schools' student assessment results on the California School Dashboard, an online tool created to give parents and the public transparency about California's schools and districts. However, Highlands avoids participating in the English and Math portions of the California Assessment of Student Performance and Progress (CAASPP) by not offering the 11th grade, when the English and Math assessments are legally required to be administered. According to Highlands' director of accountability and assessment, Highlands did not offer the 11th grade because the former executive director thought that CAASPP testing was not appropriate for Highlands' adult students. As a result, the California School Dashboard for Highlands does not display any assessment results to which the public can refer. Highlands has also not offered the California Science Test (CAST) to its students, although state law requires all high school students take the CAST once in grades 10, 11, or 12. According to Highlands' director of accountability and assessment, Highlands believed that CAST testing requirements did not apply to adult students, but indicated that Highlands, at the direction of Twin Rivers, will now start offering CAST testing in 2025. Twin Rivers' interim associate superintendent for school leadership said that the district did not verify that Highlands was complying with testing requirements because it depended on the assurance of testing in Highlands' charter and had no indication that the requirements were not being met. Now that it has been made aware that Highlands was not participating in the CAST, Twin Rivers intends to include verifying that schools are meeting their assessment requirements in its annual oversight procedures. According to CDE's director of assessment, development, and administration, although CDE reached out to Highlands multiple times, it did not have mechanisms to hold Highlands accountable for not offering the assessments beyond reaching out. Although

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we question whether CDE is correct that it could not do more to hold Highlands accountable, this CDE director noted that, after multiple outreach efforts, Highlands set up its testing administration in the system for CAASPP in early 2025.

However, charter schools are required to certify that they meet student assessment requirements as a condition of receiving K–12 funding, indicating that Highlands' lack of participation in required assessments should have resulted in a reduction of funding. According to CDE's director of the school fiscal services division, the process by which CDE ensures that charter schools certify that they have participated in state testing programs is by requiring schools to self-assert by checking a box that they have complied with all applicable laws, regulations, and instructions when they submit their data to the State. She further stated that there is no other process or procedure that CDE uses to confirm that charter schools have actually met this condition of apportionment, and verifying compliance with this requirement is not currently in the K–12 audit guide. Further, CDE has suggested that funding should be disallowed for any ADA generated for students in the 12th grade that did not have an exemption and had not taken the CAST at a previous school, since the CAST must be taken during the 12th grade at the latest, excluding fiscal year 2019–20 because testing requirements were waived due to the pandemic. According to Highlands' director of accountability and assessment, no Highlands students had an exemption from taking the CAST during this time period, and Highlands did not have a process for verifying whether its students had taken the CAST before enrolling at Highlands. Therefore, funding should be disallowed for the ADA related to the 4,220 students that were in the 12th grade from fiscal year 2020–21 through 2023–24 out of the 29,320 total students enrolled during these years, assuming that none of these students took the CAST before enrolling at Highlands or had an exemption. The CAST, as well as the Math and English assessments in the CAASPP, also give stakeholders more visibility into how students perform overall at a school over time and is one more way, beyond graduation and promotion rates, for schools to demonstrate their academic performance.

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Twin Rivers and Other Educational Entities Did Not Provide Adequate Oversight of Highlands

Key Points

- Twin Rivers did not ensure that Highlands resolved deficient and potentially illegal fiscal practices that FCMAT identified in its 2018 audit of Highlands.
- In 2019, Twin Rivers' officials recommended its board conditionally approve Highlands' charter petitions despite unresolved operational and educational concerns.
- Twin Rivers conducted minimal oversight of Highlands and, with more comprehensive annual oversight, Twin Rivers may have identified that Highlands continues to use some of the same insufficient and inappropriate practices FCMAT identified in its 2018 audit.
- From fiscal years 2019–20 through 2023–24, Twin Rivers charged Highlands $12.9 million in oversight and facilities fees that it cannot justify.
- CDE, CTC, and the Sacramento County Office of Education (Sacramento COE) have not fully exercised their authority over Highlands and have little statutory authority to ensure that a chartering authority conducts adequate oversight of charter schools it authorizes.

Twin Rivers and Other Oversight Agencies Did Not Require Highlands to Resolve Potentially Illegal Fiscal Practices That FCMAT Identified

Twin Rivers and other oversight agencies did not adequately follow up on FCMAT's 2018 extraordinary audit to ensure that Highlands addressed FCMAT's concerns. State law allows a county superintendent of schools to request that FCMAT review the fiscal or administrative condition of a charter school under its jurisdiction and audit the expenditures and internal controls of any charter school in his or her county if he or she has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred. In 2016, Sacramento COE entered into an agreement for FCMAT to conduct such an audit of Highlands. FCMAT published its audit in May 2018, with numerous findings regarding multiple serious internal practices, internal control weaknesses, and other potentially illegal fiscal practices at Highlands. Many of FCMAT's findings were similar or related to items we reviewed as part of this audit, such as ADA irregularities, enrolling students who did not qualify under its WIOA agreement, questionable use of standardized tests, conflicts of interest, gifts of public funds, and questionable hiring practices.

Sacramento COE took limited actions to ensure that Highlands and Twin Rivers addressed FCMAT's findings. FCMAT specifically recommended that the Sacramento County Superintendent (county superintendent) ensure that both Twin Rivers and Highlands investigate and properly address the issues that it raised in the audit. Although the county superintendent met with Highlands' board to share the findings of the report and sent initial letters to CDE, Twin Rivers, Highlands, and the Fair Political Practices Commission

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specifically requesting that they take appropriate action to address the findings, Sacramento COE's follow-through appears to have been limited thereafter.[11] The only other documentation demonstrating Sacramento COE's response to the FCMAT audit that it was able to provide was a letter responding to an inquiry from CDE, which generally described those letters sent to Twin Rivers and Highlands, and two additional meetings—one with CDE and another with Twin Rivers. Sacramento COE's response to CDE also included reference to correspondence that it had received between Twin Rivers and Highlands regarding the FCMAT findings. However, Sacramento COE's associate superintendent indicated that it appears that Sacramento COE did not follow up beyond the described actions because, at that time, it felt assured that Twin Rivers was taking appropriate action as Highlands' oversight entity. Given that Sacramento COE had enough concerns about Highlands to request the FCMAT audit and FCMAT's findings indicated illegal fiscal practices may have occurred, it should have done more to monitor whether Highlands addressed the audit findings, as we discuss later in the report.

Twin Rivers Did Not Adequately Investigate and Take Appropriate Action to Address These Key FCMAT Findings:

1. Highlands may have gifted public funds by using K–12 funding to serve students who did not qualify under the WIOA exemption.
2. Highlands may have financially benefitted by placing students in certain grade levels.
3. Highlands' cosmetology program did not meet the required instructional days and should not have collected ADA for those students.
4. Highlands may have gifted public funds to students, board members, and employees.
5. Some employees were also board members when the board approved their consulting contracts, which raises conflict of interest issues.
6. Highlands had anomalies in its files including:
   - A student with an 8th grade reading level completed 134 credits in one year.
   - A student who passed HCCS' algebra course even though they failed the high school equivalency tests with an extremely low score.

Source: Auditor's analysis of Twin Rivers' actions related to the FCMAT audit report.

When Highlands responded to the FCMAT audit, we found that it disputed or ignored some of FCMAT's findings and did not sufficiently address 14 of the 28 findings we reviewed. Twin Rivers also did not fully respond to Sacramento COE's request that it investigate and take appropriate action to address the FCMAT findings, such as those we list in the text box. Twin Rivers asserted that its annual oversight reports for fiscal years 2017–18 and 2019–20 and Highlands' 2019 charter renewal petition addressed some FCMAT findings; however, we found that those reviews generally referenced interviews with staff rather than obtaining evidence that findings had been addressed.[12] Despite its assertions that Highlands addressed FCMAT's concerns, we found similar issues to what FCMAT identified, calling into question whether Highlands and Twin Rivers took sufficient action. For example, although we found that Highlands followed its policies for ensuring that it enrolls only students aged 22 and over without high school diplomas when we tested a selection of 40 students, in September 2024, during our audit, Twin Rivers received a complaint alleging that Highlands allowed nonenrolled students to participate in its truck driving certification program. In fact, Highlands acknowledged allowing nearly 50 nonenrolled

[11] Sacramento COE also sent the FCMAT report to the State Controller's Office via email.

[12] Twin Rivers staff conduct annual oversight reviews in the fiscal years following the years noted in its annual oversight reports. For example, Twin Rivers staff published its 2017–18 annual oversight report in February 2019. Therefore, the annual oversight review for fiscal year 2017–18 occurred after the FCMAT audit published in May 2018.

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students to participate in its truck driving program for free over the past 10 years. Admitting nonenrolled students to the truck driving program may have violated its exclusive WIOA partnership agreement, which states that Highlands shall enroll only WIOA registrants in its schools. Further, similar to FCMAT's concern in 2018, this practice calls into question whether Highlands used K–12 funding to educate nonenrolled students.

CDE did not fully respond to Sacramento COE's request that it review and take appropriate action to address the FCMAT findings. When we asked CDE's school fiscal services division director about what actions CDE took, she advised that CDE's main concern was that Highlands was overclaiming ADA and because FCMAT stated that Highlands had reported ADA accurately and indicated that it did not find anything leading to a determination of fraud, her division did not find it necessary to take further action. However, FCMAT states in its report that the existence of fraud is solely the purview of the courts and juries, and that FCMAT will not make statements that could be construed as a conclusion that fraud has or has not occurred. When we asked the director specifically whether CDE adjusted Highland's LCFF apportionment for operating its cosmetology program for less than the required number of instructional days, she advised that state law only allows CDE to reduce funding to an LEA based on an audit finding with an identification of questioned costs. She further stated that because FCMAT did not quantify the value of an audit finding that Highlands improperly collected funding for its cosmetology students, CDE was unable to take action. State law authorizes CDE to withhold K–12 funding to correct an excess payment that is identified as an audit exception but is not clear about whether CDE may do so if the audit does not quantify the excess amount.

However, CDE has the authority to conduct its own audits of charter schools to determine the amount of improperly collected funds. CDE's former deputy superintendent of public instruction (former deputy superintendent), who is currently the associate superintendent at Sacramento COE, recalled that because FCMAT's audit found no obvious fraud, CDE considered the issue addressed. He further stated that CDE viewed the other issues as needing to be addressed through state law changes or better oversight by Twin Rivers. As an educational oversight agency for California, we would have expected CDE to perform an audit when it became aware that improper payments or illegal activities may have occurred. CDE's charter schools division director has only been in her position since October 2023 and was therefore unaware of her division's involvement with responses to the FCMAT audit and was unable to locate any documentation indicating the division's involvement. Although CDE's former deputy superintendent also indicated that he referred the audit to CDE's audits division, CDE's director of audits and investigations also said that a review was not performed from the audits division regarding the FCMAT findings. She further explained that a unit within her division is responsible for performing reviews of LEAs that receive specific federal and state funds, and while staff noted FCMAT's concerns in their annual risk assessment, CDE did not select Highlands for a monitoring review because it does not receive certain federal funds that are included in the unit's oversight.

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Twin Rivers' Officials Recommended Conditional Approval of Highlands' Charter Petitions Despite Significant Operational and Educational Concerns

State law requires the governing board of a school district to grant a charter for the operation of a charter school if it is satisfied that granting the charter is consistent with sound educational practice, unless the board finds that the petition lacks certain elements required by law. We show some of the relevant requirements of state law in the text box. In 2019, following FCMAT's highly critical report in May 2018, Twin Rivers conditionally approved Highlands' charter petitions—the official proposals detailing specific goals and operating procedures for Highlands—despite the petitions having critical issues that Highlands needed to address.

Relevant Statutory Requirements for Charter Petitions

Bases for denial of a charter petition:

- The charter school presents an unsound educational program or is unlikely to successfully implement the program set forth in the petition.
- The petition does not contain reasonably comprehensive descriptions of:
  - The educational program design, with annual goals for all pupils and pupil subgroups.
  - Specific annual actions to achieve those goals.
  - Measurable pupil outcomes—the extent to which students demonstrate that they have attained the skills and knowledge set forth in the school's goals—that align with state priorities.
  - Governance structure.
  - Employee qualifications.
  - Procedures that the charter school will follow to ensure the health and safety of pupils and staff, which must be reviewed and updated by March 1st each year.

Source: State law.

Despite not having comprehensive procedures for resolving identified deficiencies or whether staff must review supporting documentation, Twin Rivers staff used review rubrics, which include instructions for reviewers, to identify 25 applicable concerns regarding the HCCS charter renewal petition and the original CICA charter petition. Our review of the final CICA petition showed that Twin Rivers did not require Highlands to fully resolve nine of its concerns. For example, Twin Rivers did not require Highlands to include reasonably comprehensive descriptions of curriculum, content standards, resources, and materials for English learners. Further, Twin Rivers did not ensure that Highlands rectified questionable financial projections or its lack of measurable achievement targets related to assessments. Each of the issues Twin Rivers' staff identified are related to requirements for charter schools set forth in state law.

Regardless, Twin Rivers' officials and legal counsel gave a presentation to the board detailing the statutory review criteria for petitions, indicating that the district shall not deny the petition unless it does not contain reasonably comprehensive descriptions of all the elements prescribed by law or that the petitioner was demonstrably unlikely to successfully implement the program set forth in the petition. In that same presentation, Twin Rivers' officials and legal counsel recommended that the board conditionally approve CICA's charter petition, including a condition that Highlands amend it to address concerns, deficiencies, and any other requirements imposed by law. If the CICA petition already complied with statutory approval requirements, as the officials and legal counsel had indicated were part of the statutory review criteria, a conditional approval would not have been necessary. Further, Twin Rivers lacked transparency when it did not provide the board with the concerns and the number of

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items that needed to be addressed in the petition when it recommended the conditional approval to the board. Additionally, the board required Twin Rivers and Highlands to finalize the charter agreement within 60 days of its conditional approval. However, Twin Rivers did not finalize the charter agreement until January 2020, more than six months after CICA was approved to start operating in July 2019.

Additionally, because the HCCS petition was for the renewal of an existing charter school, at that time, state law allowed Twin Rivers to renew the charter only if the school met certain criteria, including that HCCS' academic performance was equal to or better than the schools within the Twin Rivers' district, taking into account the student population served by the school. We found that Twin Rivers' officials provided misleading information on academic performance to the board members. To demonstrate whether Highlands met the academic performance requirements, Twin Rivers' officials provided the board with what they indicated was a comparison of graduation rates between Highlands and Twin Rivers Adult School. However, we found that rather than a graduation rate, which would have required a comparison of the number of graduates to a population of applicable students, Twin Rivers' officials presented only the number of graduates, with Highlands having 113 graduates compared to Twin Rivers Adult School having 108 in fiscal year 2017–18. However, Twin Rivers did not include the context necessary for an accurate comparison, which, using reports from CDE, would show that Highlands reported nearly 2,700 WIOA students compared to Twin Rivers Adult School's reported 1,500 WIOA students in that year. Further, Twin Rivers cannot explain the source of the number of graduates it presented for both schools, and we found that the number of graduates included in the charter petition differs significantly from the 37 graduates Highlands reported to CDE's adult education office for that same year. Therefore, Twin Rivers did not provide information supporting that Highlands met the criteria for renewal.

Given the unresolved concerns from the FCMAT audit and its own petition reviews, we question why Twin Rivers' staff recommended conditional approval of the petitions. According to Twin Rivers' superintendent, who was also the superintendent during the petition review process, he is not involved in the details of petition reviews, other than being aware of the review rubrics Twin Rivers uses to evaluate the petitions. He stated that he assigned the responsibility for HCCS and CICA charter petition reviews to his staff and legal counsel, who were responsible for making the recommendations to the board for approval or denial. Neither of the officials responsible for the HCCS and CICA reviews and recommendations are employed with Twin Rivers any longer. In fact, one of the former officials involved in recommending the conditional approval of both charter petitions is the current executive director of Highlands. When we asked for his perspective, he pointed us to the meeting minutes from March 2019 when the board conditionally approved the HCCS renewal, stating that the board had almost no questions or comments. He concluded that the Twin Rivers' board wanted to renew the charter regardless of whether the petition had any shortcomings; however, the former official could not provide documentation to support his assertion. By recommending conditional approval of both charters without all of the required content, including critical performance benchmarks, Twin Rivers was not transparent with its board about deficiencies Highlands did not address.

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Twin Rivers Conducted Minimal Annual Oversight of Highlands

As the text box shows, state law requires each chartering authority to conduct oversight of charter schools it authorizes and FCMAT provides charter authorizers and charter schools with a robust annual oversight checklist for various areas, which includes legal requirements and best practices. Although state law related to charter school oversight does not require Twin Rivers to use the FCMAT checklist, it is reasonable to expect that Twin Rivers would evaluate items from the checklist that were related to previously identified issues, such as findings identified in the FCMAT audit. Further, we also assessed whether Twin Rivers reviewed other items from FCMAT's checklist that were related to areas we were asked to review during this audit. Although Twin Rivers performed annual oversight reviews for fiscal years 2020–21 through 2022–23, we found that it did not review key oversight areas that we reviewed, as Figure 11 shows.[13] As such, Twin Rivers is placing itself at financial risk with potential liability for Highlands' debts, obligations, or other claims. According to state law, if a chartering authority has not complied with all oversight responsibilities that state law requires, it may be liable for the debts or obligations of the charter school or for claims arising from the charter school's acts, errors, or omissions. In some cases, we found that Twin Rivers had started to review certain items during the 2022–23 annual oversight review, which was completed in June 2024 after media attention raised concerns about Highlands' operations in January 2024.

Legal Requirements and Recommended Best Practices for Charter School Oversight

According to state law, in addition to any other duties imposed by the Charter Schools Act of 1992, chartering authorities shall:

1. Identify a staff member as a contact person for the charter school.
2. Visit each charter school at least annually.
3. Ensure that each charter school under its authority complies with all legal reporting requirements.
4. Monitor the fiscal condition of each charter school under its authority.
5. Notify CDE of any petition renewals, denials, revocations, or if the school will cease operation for any reason.

FCMAT's guidance recommends detailed review activities in the following areas:

1. General Requirements
2. Fiscal and Business Operations
3. Educational Program: LCAP
4. Educational Program and Ongoing Assessment
5. Facilities, Maintenance, and Operations
6. Governance
7. Personnel
8. Student Services

Source: State law and FCMAT's Charter School Oversight Checklist.

Nevertheless, with more comprehensive annual oversight, Twin Rivers may have identified that Highlands continued to use some of the same insufficient or inappropriate practices FCMAT identified in its 2018 audit. For example, had Twin Rivers reviewed expenditures to ensure that Highlands spent its K–12 funding for educational purposes, it may have identified conflicts of interest, potential gifts of public funds, or other questionable spending, as we did and as FCMAT did in 2018. Had Twin Rivers conducted adequate oversight of attendance tracking and reporting, it may have earlier identified the inadequate attendance and reporting practices that we found in this report. Twin Rivers' 2022–23 annual oversight review, completed in June 2024, noted that it was working with Highlands to perform a detailed review of attendance practices through an outside auditor.

[13] At the time of our analysis, Twin Rivers had not yet completed its oversight review for fiscal year 2023–24. Therefore, our analysis includes annual oversight reviews for fiscal years 2020–21 through 2022–23.

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Released in January 2025 and commissioned by Twin Rivers, that report identified similar concerns to those we note earlier in this report. Again, had Twin Rivers performed more comprehensive oversight before the media surfaced concerns in January 2024, it could have taken action to address these concerns earlier.

Figure 11
Had Twin Rivers Comprehensively Reviewed Key Items in Charter Oversight Guidance and Best Practices, It Would Have Likely Identified Many of Highlands' Shortcomings

REVIEW AREA	ITEMS TWIN RIVERS FULLY REVIEWED	EXAMPLES OF KEY OVERSIGHT ITEMS
Twin Rivers' Charter School Oversight Policy	1 of 5	State law requires a charter school to request a material revision to its charter whenever it proposes to expand operations at one or more additional grade levels.
ADA Tracking and Reporting	0 of 8	The charter school has a process to monitor and ensure compliance with the requirements for minimum instructional minutes.
Educational Program and Student Outcomes	0 of 9	The charter school is collecting, analyzing and reporting data on pupil achievement and using the data continually to monitor and improve its educational program.
Expenditures and Fees	0 of 8	The expenditures of the charter school are for an educational purpose.
Teacher Credentialing and Ratios	0 of 3	Teachers who provide instruction in core classes hold the credential(s) required by the CTC.
Contracting and Hiring	0 of 2	The charter school has documentation of Department of Justice background checks on all employees.
Governance and Other General Compliance	0 of 5	The governing board is free of real or perceived conflicts of interest.

Twin Rivers did not fully review
39 of 40
key charter oversight items that we reviewed.

Source: Twin Rivers' Charter School Oversight Policy, FCMAT's Charter School Oversight Checklist, and an analysis of Twin Rivers' practices.

Note: In some cases, we found that Twin Rivers had started to review certain items during the fiscal year 2022–23 annual oversight review, which was completed in June 2024, after media attention raised concerns about Highlands' operations in January 2024.

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For many of the suggested oversight items related to fiscal practices and attendance tracking and reporting, both the Twin Rivers' project manager and executive director of fiscal services indicated that they reviewed and relied upon the charter schools' annual audits rather than conducting their own oversight. Therefore, we reviewed Highlands' annual audits from fiscal year 2020–21 through 2022–23 and a report from the State Controller's Office and found that the auditors did not report on all required compliance procedures and reported inaccurate information. For example, the fiscal year 2020–21 audit stated that HCCS' instructional time for grades one, two, and 12 were each found to be in compliance. However, this statement is inaccurate because HCCS did not offer grades one and two that year. Similarly, in the annual audits for fiscal years 2021–22 and 2022–23, the auditors reported that they tested instructional time for HCCS' 11th grade and found it to be in compliance; however, HCCS did not enroll any students in 11th grade from fiscal years 2014–15 through 2023–24. Further, the State Controller's Office published a quality control review report of the audit of Highlands for fiscal year 2022–23 and noted that the auditor did not prepare or document that it calculated the required student-to-teacher ratio for CICA, among other items. Because of these concerns, Twin Rivers should not rely solely on the annual audits for key areas of their oversight.

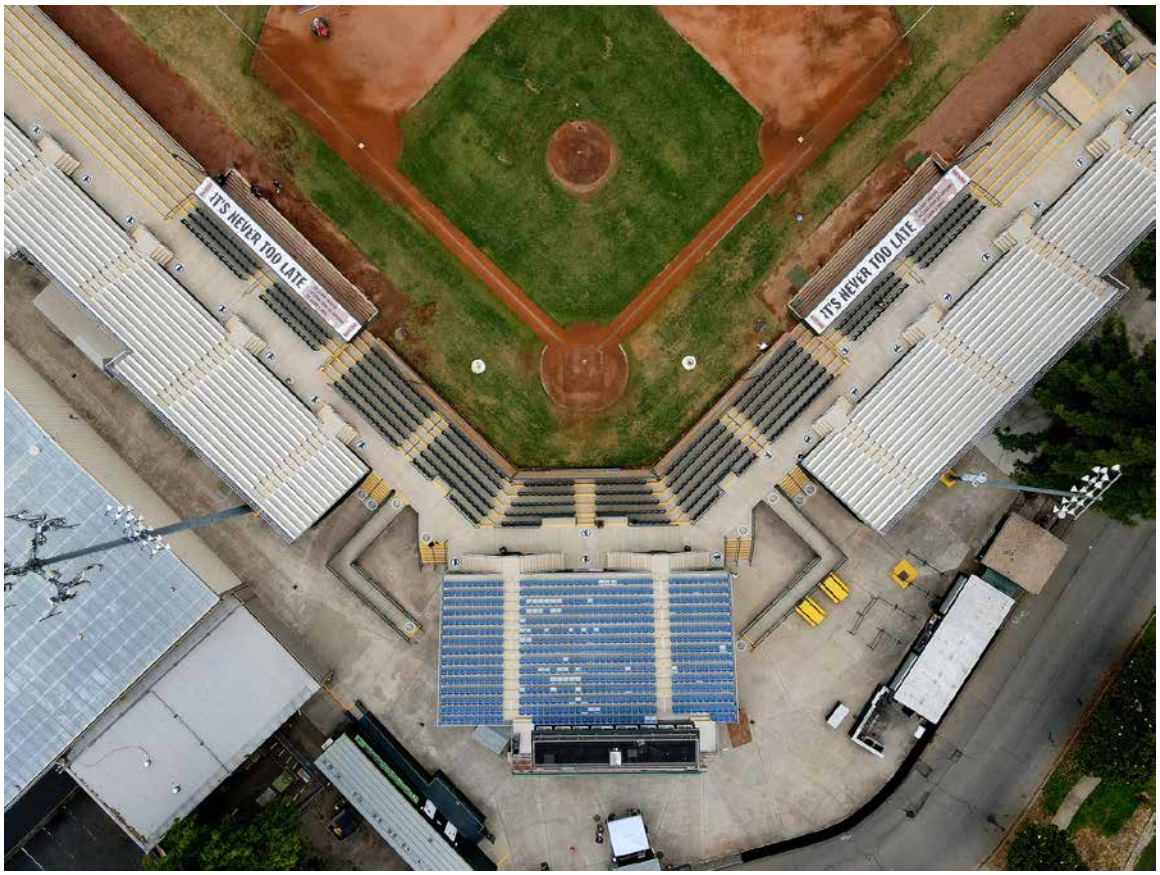
We also found that up until January 2024, Twin Rivers did not require Highlands to obtain approval for material revisions of its charter to include new school site locations it added. After receiving approval of its petition, state law requires a charter school that proposes to expand operations to additional sites or grade levels to request a material revision to its charter and to notify the chartering authority of those additional locations or grade levels. It also requires the chartering authority to consider whether to approve those additional locations or grade levels at an open, public meeting, and provides that, if approved, the additional locations or grade levels shall be a material revision to the charter petition. Twin Rivers' project manager acknowledged that she was aware of Highlands adding new site locations each year because she collected a list of site locations to include this information in the annual oversight reports. The project manager explained that because of some ambiguity in state law regarding WIOA charter schools opening additional locations, the district's understanding was that new locations did not require material revisions of the charter petitions. Instead, she indicated that the charter contains an agreement that Highlands will alert Twin Rivers at least 30 days before occupancy of every site to be leased, purchased, or controlled by the school for instructional purposes but that Highlands did not follow this expectation. However, we find the law unambiguous regarding the requirements for adding site locations and grade levels and we identified no exemption in the Education Code that would allow a WIOA charter school to avoid the approval and material revision process. By not requiring Highlands to obtain approval for material revisions, Twin Rivers was unable to perform adequate oversight and Highlands' changes were not subject to public meetings, which reduced transparency.

Additionally, in fiscal years 2020–21 and 2021–22, Twin Rivers only visited a handful of Highlands' school sites for its annual oversight reviews, and it indicated that it generally allowed Highlands to select those sites. As we discussed previously, state law requires the chartering authority to visit each charter school annually. However,

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state law is not clear as to whether the charting authority must visit every school site of a multisite charter school each year. In 2024, Twin Rivers expanded its school site visits and hired an independent contractor to visit additional Highlands' sites for its 2022–23 annual oversight reviews. From February through May 2024, the contractor visited 32 school sites, including some that were not operational. The contractor noted several concerns, including one highly questionable practice, in its visits: one of the school sites was a professional baseball stadium, shown in Figure 12, with no classes or students. As of March 2025, after Twin Rivers requested information about the purpose of the facility and an associated sponsorship agreement, Highlands indicated that it terminated its lease of the baseball stadium but agreed to continue paying the monthly payments totaling more than $33,000 through April 2026. Also, as of March 2025, Twin Rivers continues to communicate with Highlands to fully resolve its concerns with the baseball stadium and associated sponsorship arrangement, which included VIP tickets to games.

Figure 12
One of Highlands' Listed School Sites Is a Baseball Stadium



Source: Highlands' Director of Student Engagement.

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During our audit, Twin Rivers acknowledged the need to develop comprehensive procedures for annual oversight and advised that it plans to work on them. According to Twin Rivers' chief business official, the district does not currently have comprehensive procedures for charter school oversight. He stated that, in its past oversight practices, Twin Rivers believed that many of the oversight activities in FCMAT's charter school oversight checklist exceeded the district's oversight authority because state law does not specifically detail what is necessary for sufficient charter school oversight. Twin Rivers' project manager stated that she had relied on Highlands' assertions that it complied with all laws, but that Twin Rivers plans to use FCMAT's charter school oversight checklist as one of the resources to update its annual review procedures, including specific documents that staff should request and steps they must take in reviewing each item. Providing detailed information about the results of the annual oversight reviews and methodology used for its assessment in its annual oversight report is essential for providing transparency about its reviews to its board.

Twin Rivers' project manager stated that if a complaint or concern is brought to Twin Rivers' attention while performing oversight or from other third parties, the district requests information from Highlands and, if the concern is within Twin Rivers' oversight authority, it will take affirmative actions to prompt the charter school to take corrective actions to address violations of the charter or law as needed. From early 2024 through March 2025, after significant media attention, Twin Rivers notified Highlands of approximately 37 concerns with its practices, including many that are related to those we discuss throughout this report and that FCMAT raised in 2018. Although we acknowledge Twin Rivers for its heightened oversight, third parties, such as CDE, CTC, the media, and whistleblowers have informed the district of many of these concerns either directly or indirectly. The concerns include questionable use of public funds, attendance tracking and reporting, teacher misassignments, serving students outside of its charter petition and WIOA agreement, inaccurate school accountability report cards, site location discrepancies, and failure to seek approval to expand operations to new locations.

Reasons for Charter Revocation Under State Law

A charter may be revoked by the chartering authority if it finds, through a showing of substantial evidence, that the charter school:

1. Committed a material violation of any of the conditions, standards, or procedures set forth in the charter.
2. Failed to meet or pursue any of the pupil outcomes identified in the charter.
3. Failed to meet generally accepted accounting principles or engaged in fiscal mismanagement.
4. Violated any law.

Source: State law.

Twin Rivers has not escalated its oversight by issuing a notice of violation to Highlands. Before it can revoke a school's charter, state law generally requires a chartering authority, like Twin Rivers, to provide written notice to a charter school for alleged violations that are grounds for revocation, which we describe in the text box. Such notice must include the specific violation, evidence the chartering authority used to determine the school committed the violation, and a reasonable time period for the charter school to remedy or refute the violation. Because many of the issues we have discussed in this report, as well as the issues raised in the 2018 FCMAT audit, are violations of law and the charters, we question why Twin Rivers has not used the process set forth in state regulations. According to the Twin Rivers' project manager, it

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has not issued to Highlands a notice of violation to date because state law states that a notice of violation *may* be issued, but state law does not require Twin Rivers to do so, particularly when Highlands has been responsive and taken corrective action in response to identified concerns. Given its lax oversight, we also question the fees that Twin Rivers charged Highlands for conducting oversight.

Twin Rivers May Have Charged Highlands Excessive Fees for the District's Lax Oversight and Use of District Facilities

Twin Rivers did not track its actual costs for charter school oversight and facility use and cannot justify the $12.9 million in oversight and facility fees it charged to Highlands from fiscal year 2019–20 through 2023–24, given the minimal oversight and facilities it provided.[14] State law allows a chartering authority to charge the charter schools that it authorizes and oversees for the actual cost of oversight, not to exceed 3 percent of the charter school's revenue, if the charter school is able to obtain substantially rent-free facilities from the chartering authority. However, state law does not specify whether the district may charge up to the maximum of 3 percent of revenue generated from all charter school sites, even if the district only provides rent-free facilities at certain limited locations.

Twin Rivers provided substantially rent-free facilities for just one of Highlands' more than 50 locations, but it charged Highlands an oversight fee of 3 percent of Highlands' total K–12 funding generated from all of its locations statewide, of which 2 percent was attributable to facilities costs and 1 percent for oversight—a formula found in FCMAT's California Charter School Accounting and Best Practices Manual. Specifically, Twin Rivers charged Highlands approximately $8.6 million in facilities costs for fiscal years 2019–20 through 2023–24. According to Twin Rivers' chief business official, Twin Rivers was following an industry standard practice of chartering authorities when it charged Highlands the maximum 3 percent rather than tracking actual oversight and facilities costs. Although state law does not expressly prohibit a charter authorizer from imposing the 3 percent oversight fee when it provides only a small portion of the charter school's facilities, the Legislature should consider amending state law to clarify whether Twin Rivers' practice is consistent with its intent.

Twin Rivers charged Highlands the maximum oversight fees without accounting for the actual time its various staff spent on Highlands' oversight each year from fiscal years 2019–20 through 2023–24. During these years, there were primarily four of its current staff members who were directly involved in Highlands' oversight. Twin Rivers' project manager acknowledged that she spends the most time of all Twin Rivers' staff on Highlands' oversight, but that neither she nor any of the key oversight staff are solely dedicated to Highlands' oversight. In addition to being the

[14] Highlands' staff entered transactions related to oversight and facilities fees in its accounting system inconsistently and sometimes with incorrect transaction codes. As a result, we could not verify and reconcile the amount Twin Rivers and Highlands indicated they received and paid in this regard. Therefore, we requested that Twin Rivers and Highlands collaborate to reconcile the oversight and facilities fees. Twin Rivers and Highlands were able to agree that the fees paid and received from fiscal year 2019–20 through 2023–24 totaled approximately $12.9 million.

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district's designated contact for Highlands from fiscal years 2019–20 through 2023–24, the project manager advised that she was also the designated contact person for six other independent charter schools, and she was responsible for other projects as assigned. Aside from these key individuals, the project manager indicated that numerous other district staff members and legal counsel contribute to charter oversight, and other administrative costs, as well. However, Twin Rivers does not track its actual costs related to its oversight.

According to Twin Rivers' chief business official, it would be impractical, inefficient, and an administrative burden to track the time staff spend conducting oversight of charter schools and thus it follows the industry standard. As an alternative to requiring staff to track their time, Twin Rivers could have established a cost allocation method that represented a reasonable and equitable distribution of the time staff typically spends on oversight of each charter school it authorizes and other district-related tasks. For example, if an employee with a $100,000 salary typically spends 10 percent of their work time on Highlands' oversight, under such a cost allocation method, Twin Rivers could charge Highlands 10 percent of that employee's salary—or $10,000. However, because Twin Rivers also cannot justify its actual cost of oversight, Twin Rivers may have overcharged Highlands for oversight and facility fees over the past five fiscal years. Until Twin Rivers specifically tracks staff time and administrative costs or develops a reasonable cost allocation method, it will not be able to justify the oversight fees it charges.

Other Educational Oversight Agencies Did Not Fully Exercise Their Authority to Hold Highlands Accountable

CDE, Sacramento COE, and CTC each have some authority to hold charter schools accountable, as we show in Figure 13; however, they have not fully done so. State law also allows the State Superintendent of Public Instruction (state superintendent)—the director of CDE—to make reasonable inquiries and investigations, including but not limited to, inquiries regarding financial records of a charter school and investigations regarding violations of any law, rule, or order of the department. State law allows the State Board of Education, at the recommendation of the state superintendent, to take appropriate action, including revocation of a school's charter, for the specific reasons shown in the text box. As we discussed previously, CDE's fiscal services division director advised that CDE did not take action to adjust Highlands' K–12 funding as suggested in the 2018 FCMAT audit because it could only do so based on an audit finding with identification of questioned costs. As we also discussed previously, CDE's former deputy

The State Board Can Take Action or Revoke a Charter When It Finds Any of the Following:

1. Gross financial mismanagement that jeopardizes the stability of the school.
2. Illegal or substantially improper use of the charter school's funds for the personal benefit of any officer, director, or fiduciary of the charter school.
3. Substantial and sustained departure from measurably successful practices which would jeopardize the educational development of the charter school's pupils.
4. Failure to improve pupil outcomes across multiple state and school priorities identified in the charter petition.

Source: State law.

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Figure 13
State and Local Agencies Did Not Always Exercise Their Oversight Authority





OTHER STATE AND LOCAL AGENCIES AND THEIR STATUTORY AUTHORITY RELATED TO CHARTER SCHOOLS		DID THE AGENCY EXERCISE ITS AUTHORITY RELATED TO HIGHLANDS?
Sacramento County Superintendent and COE	Authorized to conduct or request that FCMAT conduct an audit of a charter school within its jurisdiction.	✓
	Authorized to monitor the operations of a charter school when justified by information such as an audit report, but that law does not specify what action it may take.	*
	Authorized to monitor oversight activities of school districts operating as chartering authorities within its jurisdiction.	✗
FCMAT	Authorized to perform audits of LEAs, including charter schools, at the request of county offices of education.	✓
State Superintendent and CDE	Authorized to make reasonable inquiries into and conduct investigations of charter schools' financial records or any violations of law.	†
	Authorized to make recommendations to the State Board of Education to take certain actions, including revocation of a school's charter, to address specific shortcomings.	✗
State Board of Education	Without a recommendation from the state superintendent, it cannot take certain actions, including revocation of a school's charter.	N/A
CTC	Authorized to promulgate regulations that would allow it to impose sanctions on schools, including charter schools, that consistently misassign teachers.	✗
	Without regulations describing sanctions that CTC could impose for consistently misassigned teachers, it cannot impose such sanctions.	N/A

Source: State law and auditor analysis.

* Sacramento COE took limited actions to ensure that Highlands and Twin Rivers addressed FCMAT's findings.

† CDE did not begin making inquiries until after the media made inquiries to CDE in Fall 2023.

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superintendent stated that he referred the 2018 FCMAT audit to CDE's audits division, but the current director of the audits division, who was not in her position in 2018, was unaware of any review regarding the FCMAT findings. Because CDE has been aware of potential problems at Highlands since at least 2018, it is concerning that it has not exercised its authority to make reasonable inquiries since the FCMAT audit or to investigate Highlands further.[15] While state law provides the State Board of Education the ability to take action against charter schools, this law does not specifically direct the State Board or CDE to monitor or take specific action against chartering authorities that have allowed the charter schools they authorize to engage in violations of law through a lack of oversight. Therefore, the Legislature should consider providing CDE the ability to establish a process to monitor chartering authorities, require corrective actions for identified oversight deficiencies, and levy sanctions against chartering authorities that fail to conduct necessary oversight.

County offices of education are responsible for overseeing the LEAs, including charter schools and school districts, within their jurisdiction. According to the Sacramento COE's associate superintendent, Sacramento COE has neither annually reviewed Highlands' practices, nor is it specifically required to do so, except that it reviews Highlands' annual independent audits. He explained that these reviews are not comprehensive, as Sacramento COE focuses on audit findings and it follows up with the chartering authority if there is a significant concern. He advised that CDE primarily requires charter schools to address audit findings and it includes the county superintendent on its communications with the schools. The county superintendent monitors the interactions between CDE and the charter school to ensure that the charter school responds appropriately, and if it fails to do so, Sacramento COE will reach out to the chartering authority. Further, the associate superintendent explained that state law does not provide Sacramento COE with authority to compel a charter school to implement recommendations from a FCMAT audit, and it is the chartering authority's responsibility to compel implementation. Although state law allows Sacramento COE to conduct audits of charter schools, it does not explicitly specify the next steps after the audit beyond providing the report to the charter school's board and chartering authority and obtaining the school's response. However, as the responsible local oversight agency that requested the FCMAT audit of Highlands, it could have continued monitoring and following up to determine whether the findings and recommendations were addressed. Thus, we are concerned by Sacramento COE's limited approach and that it did not take the necessary steps to monitor whether Highlands addressed FCMAT's findings, specifically those that identified potential illegal fiscal practices.

State law granting oversight power to county offices of education does not explicitly direct them to monitor a school district's charter oversight activities. However, FCMAT advises that each county superintendent of schools evaluate the risks that a school district faces regarding its authorized charter schools. According to FCMAT, this evaluation may involve questions about how an authorizing school district fulfills its charter school oversight responsibilities, especially in areas such as accounting, attendance, budgeting, payroll, and the review of the charter schools'

[15] CDE did not make significant inquiries until after the media made inquiries to CDE in Fall 2023.

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financial reports. Sacramento COE's associate superintendent stated that Sacramento COE does not review how Twin Rivers fulfills its charter oversight responsibilities. He explained that it had appeared that Twin Rivers was conducting oversight and Sacramento COE was not concerned that Twin Rivers' level of oversight may have been creating a fiscal risk to the district. Although state law requires the county superintendent to superintend all schools and maintain responsibility for the fiscal oversight of each school district within their counties, these provisions do not explicitly assign responsibility for monitoring the oversight activities of a chartering authority. To clarify their role in overseeing chartering authorities, the Legislature could consider explicitly directing county offices of education, as part of their fiscal oversight responsibilities, to review chartering authorities' oversight activities.

CTC is responsible for collaborating with CDE to ensure that all teachers are appropriately credentialed and assigned. Once CTC identifies teachers who are potentially misassigned at a charter school, it is the chartering authority's responsibility to advise the charter school to correct any misassignment within 30 calendar days, which, in this case, Twin Rivers did not do and stated that it was not aware that it needed to. State law allows CTC to promulgate regulations that define standards for LEAs, including charter schools, that consistently misassign educators and what sanctions CTC may impose on those agencies. However, CTC has not promulgated regulations that could result in sanctions for schools that consistently misassign educators. State law does not expressly provide CTC authority to require chartering authorities to ensure that the charter schools they authorize correct their misassignments. The Legislature could consider additional oversight options for CDE, in collaboration with CTC, to hold chartering authorities accountable for appropriate charter school oversight of teacher assignments by assessing fiscal penalties. Without establishing regulations or the Legislature providing CTC with accountability options for chartering authorities, neither Highlands nor Twin Rivers have been held accountable for the repeated misassignments of teachers to classes that they are not qualified to teach.

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Other Areas We Reviewed

To address the audit objectives approved by the Joint Legislative Audit Committee (Audit Committee), we assessed whether Highlands' policies and procedures regarding enrollment reporting are adequate and align with state law, and whether Highlands' employees receive compensation similar to comparable employees at other educational agencies. Although not included in the audit objectives, we also reviewed Highlands' expenses related to the Doc Smith Legacy Foundation.

Enrollment Reporting

The Audit Committee directed us to examine whether Highlands' policies and procedures related to calculating enrollment are adequate and align with state law. We found that Highlands consistently misreported its enrollment numbers to CDE. The State provides schools with additional K–12 funding based on the percentage of its *unduplicated students*, which state law defines as English learners, students eligible for free or reduced-price meals, or foster youths. Although Highlands described practices for recording, calculating, and reporting unduplicated students that align with state law and CDE guidelines, its policies and procedures for implementing these practices are inadequate to ensure consistency and prevent errors. During our review, we found that Highlands reported inaccurate enrollment figures to CDE in each of fiscal years 2019–20 through 2023–24—inaccuracies ranging from 2 to 17 percent. We identified examples of students that Highlands should not have reported in its counts of unduplicated students but did, as well as students it did not report but should have, resulting in both overreporting and underreporting counts. Highlands has agreed that it has misreported its enrollment in specific instances, and it explained that it refined its process to strengthen the integrity of enrollment data.

Compensation Comparison

The Audit Committee directed us to compare a selection of Highlands' employees' compensation to that of employees in similar districts. We reviewed a selection of 16 employees, including executives and teachers, and compared their compensation, including base salary and bonuses, to the compensation for comparable positions at Twin Rivers. After factoring in the number of workdays for each position, we found that six of the positions had higher compensation, ranging from 2.5 percent to 16.3 percent higher, while 10 positions had lower compensation, ranging from 1.2 percent to 25.5 percent lower. Nevertheless, as we discuss in the Audit Results, we found numerous issues with Highlands' salary schedules and with their lack of policies and procedures for assigning salaries and bonuses.

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Doc Smith Legacy Foundation

As part of our audit, we reviewed any transfers between Highlands and the Doc Smith Legacy Foundation (foundation), which is an Internal Revenue Code section 501(c)(3) nonprofit organization whose stated mission is to assist its students and community with endeavors that will further their opportunities for jobs and scholarships. It is affiliated with Highlands and currently shares two board members. Murdock "Doc" Smith is the former executive director of Highlands. In performing our work, for fiscal year 2023–24, we did not identify any concerning financial transfers from Highlands to the foundation. Nonetheless, we found that, during that fiscal year, approximately 200 Highlands employees made multiple donations in small amounts, ranging from $1 to $200 from their paychecks, to the foundation. In that fiscal year, Highlands transferred approximately $101,000 worth of payroll contributions to the foundation. In our survey, we asked employees whether they ever felt that Highlands pressured them to donate to any organization and 110 employees, or 18.8 percent of respondents, answered yes. Of those 110 employees, 109 stated that the organization to which they felt pressured to donate was the foundation. The foundation states that it has awarded 169 scholarships totaling over $253,623 to assist students and alumni with college tuition, career support, and personal financial assistance.

As part of our expenditure testing, separate from our analysis of transfers between Highlands and the foundation, we identified an expenditure of $2,369 for branded backpacks in October 2022. Highlands stated that the foundation reimbursed them for this transaction. This transaction was a subset of a larger group of transactions from November 2021 to October 2023, wherein Highlands spent approximately $77,200 on items including branded backpacks for student attendance prizes and coffee shop gift cards. In February 2024, the foundation reimbursed Highlands for the total amount of these transactions. Highlands' chief business official considers these reimbursed transactions to have been improper uses of K–12 funding by Highlands and, in our view, the foundation reimbursing Highlands helped correct that improper use, though Highlands should have sought reimbursement in a timelier fashion.

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Recommendations

Legislature

To ensure that students receive quality education through smaller class sizes, the Legislature should consider establishing a maximum allowable student-to-teacher ratio for classroom-based adult-serving charter schools and establish a fiscal penalty for schools that exceed this maximum allowable student-to-teacher ratio.

To ensure that students in adult-serving charter schools progress toward a high school diploma, the Legislature should amend state law to require charter schools that provide instruction in exclusive partnership with a WIOA organization to be subject to the requirement that its students make satisfactory progress toward a high school diploma.

To ensure transparency about student assessment outcomes, the Legislature should expand state law to require charter high schools that do not offer 11th grade to administer the CAASPP English and Math assessments to students in the 12th grade.

To ensure that chartering authorities perform adequate oversight, the Legislature should clarify whether chartering authorities must conduct site visits to each school site location each year for multisite charter schools.

To ensure that chartering authorities are conducting the oversight necessary to ensure that charter schools they authorize comply with state law, including all conditions of K–12 funding, the Legislature should consider giving CDE the authority to establish a process to monitor chartering authorities, require corrective action for identified oversight deficiencies, and levy financial sanctions against chartering authorities that fail to conduct necessary oversight.

To ensure that chartering authorities charge facilities fees as the Legislature intended, the Legislature should specify in state law whether chartering authorities are allowed to charge up to 3 percent in oversight fees for revenue generated from site locations wherein the chartering authority does not provide the charter school with substantially rent-free facilities.

To ensure that charter schools appropriately address findings in extraordinary audits, the Legislature should consider requiring county offices of education to determine whether the findings are remedied within a reasonable amount of time. The Legislature should also require the county office of education to notify the chartering authority and CDE of each audit finding that it determines is unremedied in order to facilitate enforcement activities, such as the issuance of a notice of violation by the chartering authority or any necessary adjustments to apportionment by CDE.

To ensure chartering authorities are not placing themselves at financial risk, the Legislature should consider explicitly directing county offices of education, as part of their fiscal oversight responsibilities, to review how chartering authorities that authorize charter schools within their county fulfill their charter school oversight responsibilities.

Filed 10/04/26 Case 26-25868 Doc 5

To ensure that charter schools address misassignments and prevent uncredentialed teachers from negatively impacting students' quality of education, the Legislature should consider requiring CDE, in collaboration with CTC, to assess fiscal penalties to chartering authorities when the charter schools they authorize repeatedly or consistently fail to address teacher misassignments.

Highlands

To ensure that it is eligible to receive K–12 funding for its classroom-based instruction, Highlands should do the following by December 2025:

- Implement a system that allows it to track how long its students are actually attending its classroom-based instruction.
- Establish a policy to structure its classroom-based courses in such a way that it provides classroom-based instruction for the duration of the class day as indicated in its bell schedules and requires its students to attend for the duration of the class day.

To avoid misreporting hours of attendance for those students who may rely on CalWORKs benefits, Highlands should, by September 2025, ensure that its policies and procedures for reporting student participation to county offices of human assistance for purposes of determining eligibility for assistance programs allow for and require accurate reporting.

To ensure that it reports accurate attendance information, Highlands should do the following by December 2025:

- Create and implement written policies and procedures for how it reports ADA to CDE for funding, including details about which days should and should not be excluded.
- Create and implement written policies and procedures that require maintaining documentation such as sign-in sheets that support the attendance it records in its attendance reporting system for HCCS.
- Define what constitutes sufficient work products from CICA students and implement a policy ensuring that it only reports attendance for students who provide documentation for that work.

To ensure that Highlands spends K–12 funding appropriately, Highlands should, by December 2025, implement policies and procedures that outline the allowable uses of public funding, criteria for assessing and selecting vendors, and a purchasing process that includes separation of duties and requirements for multiple approvals.

To ensure that it does not execute inappropriate or wasteful contracts, Highlands should, by December 2025, implement comprehensive contracting policies and procedures that require multiple approvals, standardized contracting language, and proof of delivery of services.

Filed 10/04/26 Case 26-25868 Doc 5

To ensure that it does not violate state laws prohibiting conflicts of interest, Highlands should, by December 2025, implement a policy to provide annual conflict of interest training to all designated staff members and implement procedures to prevent employees from entering into contracts in which they have a financial interest, such as with a spouse.

To ensure transparency in its purchasing practices, Highlands should, by December 2025, revise its policies to require that all purchases and contracts over $115,000 be approved by the board. Highlands may adjust the amount annually in accordance with the state superintendent's inflation-adjusted bid threshold amount.

To ensure that it hires employees with proper qualifications for their roles, Highlands should, by December 2025, implement policies and procedures that formalize its hiring process, including deciding on a position's minimum qualifications before hiring begins, maintaining documentation of each step of the process for each candidate, standardizing the creation of job descriptions, implementing recruitment practices that include external and internal applicants, and standardizing the interview and job offer process.

To ensure that no current employee at Highlands has the power to influence the hiring of their relative, Highlands should, by December 2025, require job applicants to assert whether they are related to a current employee at Highlands and require job interviewers to assert that they are not related to the individual they are interviewing. It should also develop or revise its policies to prohibit employees from being involved in the hiring and interview process for their relatives.

To ensure that pay is assigned equitably and based on merit and performance, Highlands should implement policies by December 2025 to create a merit-based structure for devising its salary schedules, evaluating staff, assigning salaries and salary increases, and deciding on annual bonus amounts.

To prevent favoritism and pay inequity, Highlands should, by December 2025, implement a policy to adhere to its salary schedules and not allow executive management to approve increases outside of salary schedule limits.

To ensure that students receive a quality education from credentialed teachers, Highlands should, by December 2025, document and implement a process to ensure that its teachers are properly credentialed and appropriately assigned to classes, including ensuring that paraeducators do not teach classes.

To ensure that Highlands' instructors can provide students with a quality education through smaller class sizes, Highlands should, by December 2025, create a policy to establish an appropriate student-to-teacher ratio for its classroom-based instruction and calculate and monitor its ratios at both HCCS and CICA.

To ensure transparency about its student outcomes and to avoid misleading its stakeholders, Highlands should implement a policy by December 2025 to comply with all School Accountability Report Card requirements, including the missing tables highlighted by CDE, and using the correct graduation rate methodology.

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To comply with state law and provide transparency about the effectiveness of the education it provides, Highlands should, by December 2025, implement procedures to require participation in the California Science Test annually.

Twin Rivers

To ensure that Highlands' students receive a quality education from appropriately credentialed teachers, Twin Rivers should, by December 2025, implement procedures to verify that its charter schools address and resolve identified misassignments within 30 calendar days, as state law requires.

To ensure that the charter schools it authorizes provide transparency about the quality of education they provide, Twin Rivers should, by December 2025, implement a mechanism in its annual oversight procedures to verify that schools meet the conditions of apportionment regarding participating in state testing requirements.

To ensure that the schools it authorizes comply with state law and their charters, and that staff and officials are aware of Twin Rivers' expectations in conducting such oversight, by December 2025, Twin Rivers' board and management should create and implement comprehensive policies and procedures that do the following:

- Require staff to ensure that the charter schools it authorizes sufficiently address audit findings and recommendations, including reviewing documentation to verify that recommendations are implemented.
- Provide staff with expectations for reviewing and approving new and renewal charter petitions, including what constitutes a reasonably comprehensive description in the petition and what documentation staff must provide to the board to demonstrate the adequacy of their review.
- Require staff to conduct sufficient charter school oversight activities that align with state guidance and key best practices, and which, for key determinations, do not solely rely upon the annual audit or a charter school's assertions. It should also require that the results of this information and a description of the methodology staff used for reviewing the items be summarized in the annual oversight reports.
- Require staff to ensure that charter schools obtain approval for material revisions of their charters when charter schools add new school site locations, grade levels, or other material changes described by state law.
- Outline the specific steps for investigating and resolving potential violations of state law or the charters, including that, upon the determination that a significant violation has occurred, Twin Rivers must provide the charter school with written notice of the violation that could lead to revocation of a school's charter if not resolved.
- Require staff to establish a method for tracking Twin Rivers' actual costs for charter oversight and collect only the oversight and facilities fees allowed in state law.

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CDE

To ensure that schools participate in their required testing and to ensure transparency about student assessment outcomes, by December 2025, CDE should propose including a procedure in the K–12 audit guide to verify that schools meet the condition of apportionment regarding participating in state testing requirements.

To ensure that it takes appropriate action related to Highlands, the state superintendent should direct CDE to immediately investigate whether Highlands has sufficiently complied with state law, met the conditions of K–12 funding, and appropriately claimed K–12 funding. To the extent that CDE determines that Highlands has failed to significantly address the audit findings in this report and others, or that Highlands has committed any violations of state law, has not met the conditions to receive K–12 funding, has not demonstrated improved pupil achievement, or inappropriately claimed K–12 funding, the state superintendent should take appropriate action, including pursuing adjustments to Highlands' apportionments and making a recommendation to the State Board of Education to take appropriate action, up to and including revoking Highlands' charters.

CTC

To ensure that LEAs, including charter schools, resolve teacher misassignments as state law requires, by December 2025, CTC should initiate promulgation of regulations defining the standards for LEAs that consistently misassign educators and what sanctions CTC may impose on those agencies.

Sacramento COE

To ensure that the audits it requests lead to meaningful reductions in identified deficiencies, the Sacramento COE should, by December 2025, implement procedures to verify that all LEAs within the county's jurisdiction sufficiently address audit findings and recommendations from those audits, such as by reviewing documentation or following up to verify that the agency addressed the findings and recommendations.

To ensure that chartering authorities within its county are not placing their financial stability at risk through insufficient oversight of the charter schools they authorize, the Sacramento COE should, by December 2025, implement procedures for reviewing how chartering authorities fulfill their charter school oversight responsibilities.

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We conducted this performance audit in accordance with generally accepted government auditing standards and under the authority vested in the California State Auditor by Government Code section 8543 et seq. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



GRANT PARKS
California State Auditor

June 24, 2025

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Appendix A

Summary of Legislative Gaps We Identified

In our audit of Twin Rivers and Highlands, we identified certain gaps or lack of clarity in state law that impacted some of our audit findings. To provide context for the legislative actions we recommend, we have consolidated those recommendations and present them in Table A.

Table A
Context for the State Auditor's Legislative Recommendations

RELEVANT ISSUE IN STATE LAW	CONTEXT IN THE REPORT	RECOMMENDED LEGISLATIVE ACTION
Quality of Education		
State law does not include a maximum allowable **student-to-teacher ratio** for classroom-based adult-serving charter schools.	For fiscal year 2023–24, we calculated that HCCS had a **student-to-teacher ratio of 51:1**, which far surpasses the student-to-teacher ratios and maximum class sizes of neighboring schools and school districts.	The Legislature should consider establishing a maximum allowable student-to-teacher ratio for classroom-based adult-serving charter schools and establish a fiscal penalty for schools that exceed this maximum allowable student-to-teacher ratio.
Student Outcomes		
State law exempts charter schools that provide instruction in exclusive partnership with a WIOA organization from the requirement that its students make **satisfactory progress** towards a high school diploma in order to receive funding.	HCCS and CICA have **poor student outcomes**, including a 2.8 percent graduation rate for HCCS and a 16.9 percent graduation rate for CICA.	The Legislature should amend state law to require charter schools that provide instruction to adults in exclusive partnership with WIOA to be subject to the requirement that their students make satisfactory progress toward a high school diploma.
State law requires charter high schools to administer the California Assessment of Student Performance and Progress (CAASPP) for English and Math in **only the 11th grade**.	Highlands **avoids participating** in the English and Math portions of the CAASPP **by not offering the 11th grade**, when the English and Math assessments are legally required to be administered.	The Legislature should expand state law to require charter high schools that do not offer 11th grade to administer the CAASPP English and Math assessments to students in the 12th grade.
Oversight		
State law does not specify whether chartering authorities must conduct site visits to each school site location each year for **multisite charter schools**.	In fiscal years 2020–21 and 2021–22, Twin Rivers **only visited a handful** of Highlands' school sites for its annual oversight reviews.	The Legislature should clarify whether chartering authorities must conduct onsite visits to each school site location each year for multisite charter schools.
State law does not specify whether a school district may charge **oversight fees** of up to the maximum of 3 percent of revenue generated from all charter school sites, even if the district only provides rent-free facilities at limited locations.	Twin Rivers **cannot justify** the $12.9 million in oversight and facility fees it charged to Highlands from fiscal year 2019–20 through 2023–24.	The Legislature should specify in state law whether chartering authorities are allowed to charge up to 3 percent in oversight fees for revenue generated from site locations wherein the chartering authority does not provide the charter school with substantially rent-free facilities.
State law does not direct CDE to take specific action against chartering authorities that have allowed the charter schools they authorize to engage in violations of law through a **lack of oversight**.	Because many of the issues we have discussed in this report, as well as the issues raised in the 2018 FCMAT audit, are violations of law and Highlands' charters, we question why Twin Rivers has not issued notices of violation to Highlands.	The Legislature should consider giving CDE the ability to establish a process to monitor chartering authorities, require corrective action for identified oversight deficiencies, and levy financial sanctions against chartering authorities that fail to conduct necessary oversight.

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RELEVANT ISSUE IN STATE LAW	CONTEXT IN THE REPORT	RECOMMENDED LEGISLATIVE ACTION
State law authorizes county offices of education to conduct audits of charter schools, but it **does not explicitly specify the next steps** after the audit beyond providing the report to the charter school's board and chartering authority, and obtaining the school's response.	Sacramento COE **took limited actions** to ensure that Highlands and Twin Rivers addressed FCMAT's findings.	The Legislature should consider requiring county offices of education to determine whether audit findings are remedied within a reasonable amount of time. The Legislature should also require the county office of education to notify the chartering authority and CDE of each audit finding that it determines is unremedied in order to facilitate enforcement activities such as the issuance of a notice of violation by the chartering authority or any necessary adjustments to apportionment by CDE.
State law granting oversight power to county offices of education does not explicitly direct them to **monitor a school district's charter oversight activities**.	Sacramento COE does not review how Twin Rivers fulfills its charter oversight responsibilities. It had appeared that to Sacramento COE that Twin Rivers was conducting oversight.	The Legislature should consider explicitly directing county offices of education, as part of their fiscal oversight responsibilities, to review how chartering authorities that authorize charter schools within their county fulfill their charter school oversight responsibilities.
State law does not provide fiscal penalties for charter schools regarding teacher **misassignments**.	We identified 22 of the 27 teachers that had a teaching credential but did not have the appropriate credential for the setting or course they were teaching.	The Legislature should consider requiring CDE, in collaboration with the CTC, to assess fiscal penalties to chartering authorities when the charter schools they authorize repeatedly or consistently fail to address teacher misassignments.

Source: State law and auditor analysis.

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Appendix B

Summary of Highlands Survey Responses

The Joint Legislative Audit Committee (Audit Committee) directed our office to survey current and former Highlands students and employees to gain their perspective on their experiences at Highlands. We surveyed current and former Highlands students and employees on the quality of the learning experience at HCCS and CICA, the frequency of student attendance, student work products and course workload, the schools' marketing strategies, any action taken toward whistleblowers, and other areas pertaining to HCCS' and CICA's responsibilities for achieving educational outcomes in compliance with state law.

Of the 33,109 Highlands students who we surveyed, 793, or 2.4 percent, responded to our survey. Of the 1,987 current and former Highlands staff who we surveyed, 641, or 32 percent, responded to our survey. Tables B.1 and B.2 provide a summary of the responses to the survey we conducted in November and December 2024.

Table B.1
Summary of Highlands Employee Responses to Survey

QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
1. Do you have a concern that Highlands will retaliate against you for participating in this survey?			
	Yes	101	16.06%
	No	528	83.94
	Blank responses	12	
2. Have you worked at any of the following schools in any capacity? Select all that apply.			
	Highlands Community Charter School (HCCS)	341	
	California Innovative Career Academy (CICA)	222	
	Highlands Community Charter and Technical Schools (HCCTS)	395	
	I have not worked at any of these schools.	2	
	Blank responses	9	
3. How long have you worked at Highlands?			
	Less than one year	137	22.35%
	1–2 years	204	33.28
	3–4 years	125	20.39
	5–6 years	73	11.91
	7 years or more	74	12.07
	Blank responses	28	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
4. How long have you been in your current position at Highlands?			
	Less than one year	213	35.09%
	1–2 years	227	37.40
	3–4 years	112	18.45
	5–6 years	34	5.60
	7 years or more	21	3.46
	Blank Responses	34	
5. What roles have you had at Highlands? Select all that apply.			
	Classroom-based teacher	173	
	Independent study teacher	112	
	Paraeducator	145	
	Administrator	83	
	Counselor	23	
	Student support services	127	
	Other	160	
	Blank Responses	39	
6. How did you find your job at Highlands? Select all that apply.			
	Public job board (EDJOIN, LinkedIN, etc.)	359	
	Through a friend	143	
	Through a family member	45	
	Highlands recruited me	73	
	Other	66	
	Blank Responses	38	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
7. Have you ever experienced or witnessed at Highlands any of the unfair hiring practices listed below? Select all that apply.			
	I have not experienced or witnessed any unfair hiring practices at Highlands.	370	
	Discrimination on the basis of race	26	
	Discrimination on the basis of gender	24	
	Discrimination on the basis of sexuality	13	
	Discrimination on the basis of age	25	
	Hiring based on nepotism	164	
	Hiring an unqualified candidate	170	
	Other	30	
	Blank Responses	59	
8. Have you ever worked at Highlands when any of your relatives also worked at Highlands? Select all that apply.			
	No, I have never worked at Highlands while any of my relatives also worked at Highlands.	445	
	Yes, I have worked at Highlands while a member of my immediate family also worked at Highlands.	88	
	Yes, I have worked at Highlands while a member of my extended family also worked at Highlands.	27	
	Yes, I have worked at Highlands while someone I was related to by marriage also worked at Highlands.	19	
	Yes, I have worked at Highlands while another member of my family not listed above also worked at Highlands.	13	
	Blank Responses	57	
9. Have you ever felt that Highlands pressured you to donate to any organization?			
	Yes	110	18.80%
	No	475	81.20
	Blank Responses	56	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
10. Which of the following organizations were you pressured to donate to?			
	Doc Smith Legacy Foundation	109	
	OTHER Answers:		
	The annual food and wine event	1	
	Go Fund Me donations	1	
	For different events.	1	
	Donate to colleagues or students when they are experiencing hardships.	1	
	They also encouraged us to donate to staff members or their families facing a crisis. They would post links in the staff meeting chat box for donations. An employees' parents' house caught on fire some time ago and they asked us to donate. Some time later, I saw that their father got hired. Very strange.	1	
	I don't remember the specifics but there was pressure to donate to various things to "help" Highlands.	1	
	Blank Responses	532	
11. How often have you felt physically safe while working at Highlands or at Highlands events?			
	Always	385	66.27%
	Usually	142	24.44
	Sometimes	26	4.48
	Rarely	7	1.20
	Never	12	2.07
	This question does not apply to me.	9	1.55
	Blank Responses	60	
12. Sexual harassment occurs when someone makes unwelcome and inappropriate sexual remarks or physical advances. Sexual harassment can include unwelcome sexual advances, requests for sexual favors, and other verbal or physical harassment of a sexual nature. Have you ever been sexually harassed by a Highlands employee or at Highlands events?			
	Yes	22	3.80%
	No	557	96.20
	Blank Responses	62	
13. Did you report the sexual harassment to Highlands?			
	Yes	7	30.43%
	No	16	69.57
	Blank Responses	618	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
14. Do you feel that Highlands adequately handled your report of sexual harassment?			
	Yes	2	33.33%
	No	4	66.67
	Blank Responses	635	
15. Why do you believe your report of sexual harassment was not addressed? Select all that apply.			
	I never received a response or was not informed of the results.	4	
	The entity did not interview witnesses or ask me for evidence.	3	
	My report of harassment was closed without an investigation.	2	
	No disciplinary action was taken against the subject(s) of my report of harassment.	2	
	I disagreed with the results of the investigation.	2	
	The report of harassment was not investigated in a timely manner.	2	
	The investigator was not knowledgeable about the case or showed bias.	2	
	The investigator relied on bad evidence.	1	
	Other	2	
	Blank Responses	637	
16. Has a Highlands employee or teacher ever asked you to do anything you felt was against the law?			
	Yes	60	10.58%
	No	507	89.42
	Blank Responses	74	
17. Has a Highlands employee or teacher ever used your citizenship status, immigration status, housing situation, benefits eligibility, or the status of other benefits you received to influence you?			
	Yes	12	2.09%
	No	561	97.91
	Blank Responses	68	
18. Have you ever felt that Highlands made improper purchases using school funds?			
	Yes	130	22.81%
	No	440	77.19
	Blank Responses	71	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
19. During your employment as a paraeducator at Highlands, has anyone ever asked you to teach a class?			
	Yes	37	27.21%
	No	99	72.79
	Blank Responses	505	
20. During your employment at Highlands, has anyone ever asked you to teach a class you felt unqualified to teach?			
	Yes	16	7.96%
	No	185	92.04
	Blank Responses	440	
21. Has anyone at Highlands ever directed you to teach a course that did not align with your credential? For example, if a teacher whose credentials in world history teaches a course in algebra, that person is teaching a course that does not align with the person's credential.			
	Yes	26	12.81%
	No	177	87.19
	Blank Responses	438	
22. During your time teaching in-person courses at Highlands, has anyone ever encouraged you to record a student as "present" for attendance purposes even when the student did not physically come to class?			
	Yes	22	11.00%
	No	178	89.00
	Blank Responses	441	
23. During your time teaching in-person courses at Highlands, has anyone ever encouraged you to record a student as "present" for attendance purposes even when the student showed up only at the beginning of class but left immediately thereafter?			
	Yes	82	41.21%
	No	117	58.79
	Blank Responses	442	
24. Has anyone at Highlands ever pressured you to change your attendance records to reflect higher-than-actual attendance?			
	Yes	14	6.90%
	No	189	93.10
	Blank Responses	438	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
25. While teaching at Highlands, have you ever felt pressured to inappropriately give credit toward graduation or course completion to a student for work products that the student did not complete or that were otherwise lacking merit?			
	Yes	23	11.33%
	No	180	88.67
	Blank Responses	438	
26. In your experience as an educator at Highlands, have you found that Highlands placed students in the appropriate level of English courses according to the students' abilities?			
	Always	64	19.16%
	Usually	141	42.22
	Sometimes	53	15.87
	Rarely	26	7.78
	Never	13	3.89
	I do not know.	37	11.08
	Blank Responses	307	
27. In your experience as an educator at Highlands, have you found that Highlands provided the educational support necessary for students to progress to the next level?			
	Always	159	47.32%
	Usually	108	32.14
	Sometimes	33	9.82
	Rarely	14	4.17
	Never	3	0.89
	I do not know.	19	5.65
	Blank Responses	305	
28. When teaching classes in person at Highlands, how often have you felt there was enough room in the classrooms to accommodate the number of students present?			
	Always	97	28.87%
	Usually	95	28.27
	Sometimes	53	15.77
	Rarely	12	3.57
	Never	9	2.68
	I have not taught classes in person at Highlands.	70	20.83
	Blank Responses	305	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
29. When teaching classes at Highlands, how often have your felt that students are provided sufficient instructional materials?			
	Always	171	51.20%
	Usually	77	23.05
	Sometimes	28	8.38
	Rarely	14	4.19
	Never	6	1.80
	I have not taught classes at Highlands.	38	11.38
	Blank Responses	307	
30. During your employment at Highlands, has anyone ever asked you to manipulate student records related to attendance?			
	Yes	25	8.06%
	No	285	91.94
	Blank Responses	331	
31. Has Highlands leadership ever asked you to withhold information from auditors?			
	Yes	16	2.83%
	No	550	97.17
	Blank Responses	75	
32. A whistleblower is a person who reports inappropriate actions taken by a person or organization. Have you ever made a whistleblower complaint that was related to Highlands?			
	Yes	26	4.59%
	No	541	95.41%
	Blank Responses	74	
33. Which entity did you make the whistleblower complaint to?			
	California Department of Education	2	6.67%
	Highlands Community Charter and Technical Schools	20	66.67
	Twin Rivers Unified School District	4	13.33
	California Commission on Teacher Credentialing	0	0.00
	Sacramento County Office of Education	0	0.00
	Other	4	13.33
	Blank Responses	611	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
34. Do you feel that your whistleblower complaint was adequately addressed?			
	No	23	82.14%
	Yes	5	17.86
	Blank Responses	613	
35. Why do you believe your complaint was not addressed? Select all that apply.			
	I never received a response or was not informed of the results.	12	
	The entity did not interview witnesses or ask me for evidence.	9	
	My complaint was closed without an investigation.	8	
	No disciplinary action was taken against the subject(s) of my complaints.	7	
	I disagreed with the results of the investigation.	2	
	The complaint was not investigated in a timely manner.	7	
	The investigator was not knowledgeable about the case or showed bias.	8	
	The investigator relied on bad evidence.	3	
	Other	6	
	Blank Responses	618	
36. Have you ever experienced or witnessed retaliation against a whistleblower at Highlands?			
	No	486	86.02%
	Yes	79	13.98
	Blank Responses	76	
37. What kind of retaliation against a whistleblower? Select all that apply.			
	Denied Promotion	30	
	Firing/Termination/Forced to Resign	63	
	Intimidation or harassment	34	
	Threat of adverse action	16	
	Demotion	24	
	Reassignment to less desirable position or location	45	
	Reduction in pay or hours	3	
	Isolating, ostracizing, mocking, or falsely accusing the employee of poor performance	35	
	Constructive discharge (making working conditions intolerable to the point that the employee quits)	30	
	Blank Responses	556	

Source: State Auditor's survey of current and former Highlands staff members.

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Table B.2
Summary of Highlands Student Responses to Survey

QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
1. Which of these schools have you attended? Select all that apply.			
	I have not attended these schools.	50	
	California Innovative Career Academy (CICA)	130	
	Highlands Community Charter School (HCCS)	662	
2. When have you been enrolled at Highlands? Select all that apply.			
	I have never enrolled.	2	
	2013	2	
	2014	4	
	2015	4	
	2016	3	
	2017	12	
	2018	13	
	2019	19	
	2020	23	
	2021	55	
	2022	148	
	2023	260	
	2024	342	
	Blank Responses	61	
3. When did you stop attending classes at Highlands, either in-person or online or both?			
	I am currently attending classes at Highlands.	579	81.21%
	2013	0	0.00
	2014	2	0.28
	2015	1	0.14
	2016	0	0.00
	2017	1	0.14
	2018	7	0.98
	2019	2	0.28
	2020	3	0.42
	2021	7	0.98
	2022	7	0.98
	2023	24	3.37
	2024	80	11.22
	Blank Responses	80	

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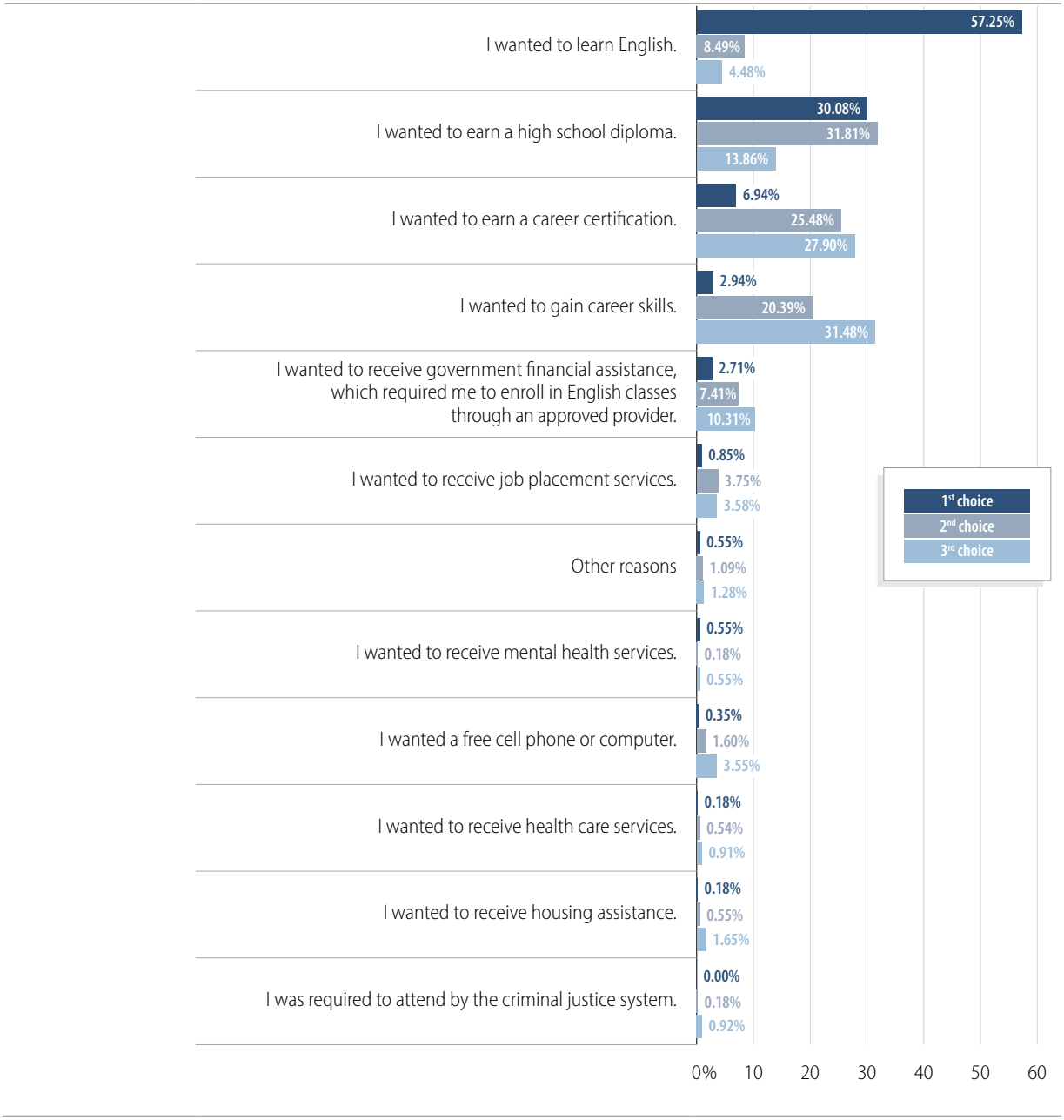
QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
4. How did you learn about Highlands? Select all that apply.			
	Family or friend	451	
	Government or resettlement organization	140	
	Advertisement	58	
	Social media	67	
	Solicitation visit to my home	5	
	Community event	37	
	Website	44	
	Other	58	
	Blank Responses	73	
5. I enrolled at Highlands because: Check all that apply.			
	I wanted to earn a high school diploma.	406	
	I wanted to earn a career certification.	285	
	I wanted to gain career skills.	276	
	I wanted to learn English.	571	
	I wanted to receive government financial assistance, which required me to enroll in English classes through an approved provider.	68	
	I wanted a free cellphone or computer.	60	
	I wanted to receive housing assistance.	35	
	I was required to attend by the criminal justice system.	15	
	I wanted to receive job placement services.	155	
	I wanted to receive health care services.	27	
	I wanted to receive mental health services.	18	
	Other reasons	32	
	Blank Responses	71	

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QUESTIONS	ANSWER CHOICES	PERCENTAGE OF RESPONSES

6. Please rank in order of importance your reasons for enrolling in Highlands.



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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
7. Have you been enrolled in in-person classes at Highlands?			
	Yes	515	75.07%
	No	171	24.93
	Blank Responses	107	
8. On average, how often have you attended classes in person at Highlands?			
	1 day per week	8	1.56%
	2 days per week	28	5.45
	3 days per week	85	16.54
	4 days per week	136	26.46
	5 days per week	246	47.86
	I do not attend classes in-person.	11	2.14
	Blank Responses	279	
9. On average, how often have you attended classes in person at Highlands?			
	Less than 30 minutes per day	0	0.00%
	30 minutes–1 hour per day	12	2.36
	1–2 hours per day	148	29.08
	3–5 hours per day	276	54.22
	6–8 hours per day	59	11.59
	More than 8 hours per day	5	0.98
	I have not attended classes in-person at Highlands.	9	1.77
	Blank Responses	284	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
10. On average, how many hours per week have you spent on schoolwork or studying outside the classroom while attending in-person courses at Highlands?			
	Less than 1 hour per week	12	2.37%
	1–2 hours per week	41	8.09
	3–4 hours per week	76	14.99
	5–6 hours per week	61	12.03
	7–8 hours per week	51	10.06
	9–10 hours per week	57	11.24
	11–14 hours per week	49	9.66
	15–20 hours per week	71	14.00
	More than 20 hours per week	75	14.79
	I have not studied or spent time on schoolwork outside the classroom while attending in-person courses at Highlands.	14	2.76
	Blank Responses	286	
11. Have you ever been asked to say or report that you attended classes more often than you actually did while attending classes in person at Highlands?			
	Yes	53	10.60%
	No	447	89.40
	Blank Responses	293	
12. Have you been enrolled in the independent study program, California Innovative Career Academy?			
	Yes	154	23.37%
	No	505	76.63
	Blank Responses	134	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
13. On average, how many hours per week have you spent on schoolwork or studying independently while enrolled in independent study courses at Highlands?			
	Less than 1 hour per week	1	0.62%
	1–2 hours per week	10	6.21
	3–4 hours per week	19	11.80
	5–7 hours per week	32	19.88
	8–11 hours per week	20	12.42
	12–14 hours per week	18	11.18
	15–20 hours per week	35	21.74
	More than 20 hours per week	25	15.53
	I have not studied or spent time on schoolwork while enrolled in independent study courses at Highlands.	1	0.62
	Blank Responses	632	
14. How often did you sign a master agreement? This is an agreement that outlined the expectations of the independent study course, including the objectives, methods of study, and duration of the independent study.			
	For every course	39	24.84%
	For most courses	13	8.28
	For some courses	14	8.92
	Almost never	3	1.91
	Never	12	7.64
	I don't know.	76	48.41
	Blank Responses	636	
15. How often did you sign periodic learning reports that outlined your progress in the course and included samples of your assignments?			
	About monthly	39	24.53%
	More often than monthly	13	8.18
	Every few months	24	15.09
	Rarely	7	4.40
	Never	15	9.43
	I don't know.	61	38.36
	Blank Responses	634	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
16. Have Highlands employees or teachers encouraged you to extend your time enrolled in Highlands for nonacademic reasons?			
	Yes	108	16.85%
	No	533	83.15
	Blank Responses	152	
17. How helpful do you feel Highlands has been in helping you reach your education goals?			
	Extremely helpful	300	45.45%
	Very helpful	248	37.58
	Somewhat helpful	98	14.85
	Not very helpful	12	1.82
	Not at all helpful	2	0.30
	Blank Responses	133	
18. How would you rate the quality of the education you have received at Highlands?			
	Very high quality	244	37.14%
	High quality	283	43.07
	Neither high nor low quality	117	17.81
	Low quality	11	1.67
	Very low quality	2	0.30
	Blank Responses	136	
19. How would you rate the usefulness of the information that you have learned at Highlands?			
	Extremely useful	283	43.07%
	Very useful	266	40.49
	Somewhat useful	98	14.92
	Not very useful	8	1.22
	Not at all useful	2	0.30
	Blank Responses	136	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
20. In your experience as a student at Highlands, do you believe that there were enough teachers to enable effective learning for the number of students?			
	Always	290	44.21%
	Usually	226	34.45
	Sometimes	71	10.82
	Rarely	18	2.74
	Never	13	1.98
	I do not know	38	5.79
	Blank Responses	137	
21. In your experience as a student at Highlands, do you believe that your teachers were qualified to teach the classes they taught?			
	Always	462	70.43%
	Usually	141	21.49
	Sometimes	28	4.27
	Rarely	12	1.83
	Never	1	0.15
	I do not know	12	1.83
	Blank Responses	137	
22. In your experience as a student in English courses at Highlands, do you believe that your teachers had an appropriate level of English language skills?			
	Always	513	78.20%
	Usually	98	14.94
	Sometimes	18	2.74
	Rarely	4	0.61
	Never	1	0.15
	I have not enrolled in courses for English.	22	3.35
	Blank Responses	137	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
23. When attending classes in person at Highlands, how often have you felt there was enough room in the classrooms to accommodate the number of students present?			
	Always	267	41.08%
	Usually	189	29.08
	Sometimes	59	9.08
	Rarely	11	1.69
	Never	10	1.54
	I have not attended classes in person at Highlands.	114	17.54
	Blank Responses	143	
24. How often have you felt physically safe when you were on campus for in-person classes at Highlands or at Highlands events?			
	Always	469	71.93%
	Usually	69	10.58
	Sometimes	13	1.99
	Rarely	3	0.46
	Never	5	0.77
	I have not attended in-person classes at Highlands or attended Highlands events.	93	14.26
	Blank Responses	141	
25. Sexual harassment occurs when someone makes unwelcome and inappropriate sexual remarks or physical advances. Sexual harassment can include unwelcome sexual advances, requests for sexual favors, and other verbal or physical harassment of a sexual nature. Have you ever been sexually harassed by a Highlands employee or at Highlands events?			
	Yes	4	0.62%
	No	644	99.38
	Blank Responses	145	
26. Did you report the sexual harassment to Highlands?			
	Yes	0	0.00%
	No	7	100.00
	Blank Responses	786	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
27. Do you feel that Highlands adequately handled your report of sexual harassment?			
	Yes	0	0.00%
	No	1	100.00
	Blank Responses	792	
28. Why do you believe your report of sexual harassment was not addressed? Select all that apply.			
	I never received a response or was not informed of the results.	0	
	The entity did not interview witnesses or ask me for evidence.	0	
	My report of harassment was closed without an investigation.	0	
	No disciplinary action was taken against the subject(s) of my report of harassment.	0	
	I disagreed with the results of the investigation.	0	
	The report of harassment was not investigated in a timely manner.	0	
	The investigator was not knowledgeable about the case or showed bias.	0	
	The investigator relied on bad evidence.	0	
	Other	0	
	Blank Responses	793	
29. Has a Highlands employee or teacher ever asked you to do anything that you felt was against the law?			
	Yes	5	0.77%
	No	645	99.23
	Blank Responses	143	
30. Has a Highlands employee or teacher ever asked you to do something that you felt was wrong?			
	Yes	11	1.70%
	No	636	98.30
	Blank Responses	146	
31. Has a Highlands employee or teacher ever used your citizenship status, immigration status, housing situation, benefits eligibility, or other benefits to influence you?			
	Yes	10	1.56%
	No	631	98.44
	Blank Responses	152	

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QUESTIONS	ANSWER CHOICES	RESPONSES	PERCENTAGE OF RESPONSES
32. A whistleblower is a person who reports inappropriate actions taken by a person or organization. Have you ever made a whistleblower complaint directed at Highlands?			
	Yes	6	0.93%
	No	639	99.07
	Blank Responses	148	
33. Which entity did you make the whistleblower complaint to?			
	California Department of Education	0	0.00%
	Highlands Community Charter and Technical Schools	4	44.44
	Twin Rivers Unified School District	1	11.11
	California Commission on Teacher Credentialing	0	0.00
	Sacramento County Office of Education	1	11.11
	Other	3	33.33
	Blank Responses	784	
34. Do you feel that your whistleblower complaint was adequately addressed?			
	Yes	4	57.14%
	No	3	42.86
	Blank Responses	786	
35. Why do you believe your complaint was not addressed? Select all that apply.			
	I never received a response or was not informed of the results.	0	
	The entity did not interview witnesses or ask me for evidence.	0	
	My complaint was closed without an investigation.	0	
	No disciplinary action was taken against the subject(s) of my complaints.	2	
	I disagreed with the results of the investigation.	0	
	The complaint was not investigated in a timely manner.	1	
	The investigator was not knowledgeable about the case or showed bias.	1	
	The investigator relied on bad evidence.	0	
	Other	0	
	Blank Responses	791	

Source: State Auditor's survey of current and former Highlands students.

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Appendix C

Categories of Disallowed Funding

In our audit of Highlands, we identified disallowable funds that fell into a number of different categories. To provide clarity, Table C provides a summary of disallowed funds by category, school, and fiscal year.

Table C
Summary of Disallowed Funding Amounts

DISALLOWED FUNDING FOR	INCLUDED IN THE DISALLOWED FUNDING FOR INSTRUCTIONAL MODES		NOT INCLUDED IN THE DISALLOWED FUNDING FOR INSTRUCTIONAL MODES		
Not meeting conditions of instructional modes					
HCCS in fiscal year 2022–23	$72,728,366				
HCCS in fiscal year 2023–24	104,554,239				
Total	**$177,282,605**				
Excluding days of student attendance					
HCCS in fiscal year 2022–23*	$770,966				
HCCS in fiscal year 2023–24*	1,232,615				
HCCS in fiscal year 2021–22			$1,674,465		
CICA in fiscal year 2021–22			954,804		
CICA in fiscal year 2022–23			1,329,935		
CICA in fiscal year 2023–24†			(408,749)		
	$2,006,580	**+**	**$3,550,456**	**=**	**$5,554,036**
Incomplete attendance documentation for nonclassroom-based instruction					
One CICA student in fiscal year 2022–23, out of a selection of 30 students			$7,370		
Improper student-to-teacher ratios for independent study					
CICA in fiscal year 2023–24			$5,599,034		
Teachers lacking credentials, from a selection of five teachers					
HCCS in fiscal year 2022–23*	$8,420				
CICA in fiscal year 2019–20			$3,051		
HCCS in fiscal year 2021–22			8,058		
	$8,420	**+**	**$11,109**	**=**	**$19,530**
In total, we found $9,167,969 in disallowed funding that is in addition to the $177,282,605 in disallowed funding for not meeting the conditions of instructional modes.					
Totals	**$177,282,605**	**+**	**$9,167,969**	**=**	**$186,450,574**

Source: State law, Highlands documentation, CDE documentation, and auditor analysis.

Note: Discrepancies in total amounts are due to rounding.

* The causes for these amounts of disallowed funding occurred at HCCS from fiscal years 2022–23 through 2023–24 and therefore are part of, and not in addition to, the $177 million in disallowed funding for failing to meet instructional modes (which is the sum of its K–12 funding for those years).

† We found that CICA undereported its ADA for fiscal year 2023–24, therefore this amount is not disallowed but nevertheless factored into the total amount based on our findings.

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Appendix D

Scope and Methodology

The Audit Committee directed the California State Auditor to conduct an audit of Highlands and Twin Rivers to determine whether Highlands complied with state law and other applicable requirements and to assess the sufficiency of Twin Rivers' oversight of Highlands. Specifically, the audit evaluated Highlands' attendance practices, instructor credentialing, student-to-teacher ratios, hiring practices, and expenditures. Table D lists the objectives that the Audit Committee approved and the methods we used to address them. Unless otherwise stated in the table or elsewhere in the report, statements and conclusions about items selected for review should not be projected to the population.

Table D
Audit Objectives and the Methods Used to Address Them

	AUDIT OBJECTIVE	METHOD
1	Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed and evaluated the laws, rules, and regulations significant to the audit objectives.
2	Review whether HCCS' and CICA's policies and procedures related to calculating enrollment and ADA are adequate and align with state law. Perform the following: a. Verify the accuracy of HCCS' and CICA's documentation for the past three years related to ADA and enrollment, including for students enrolled in independent study, English Language Development courses, or in courses not leading to a high school diploma. Verify the accuracy of documentation of independent study policies, including the calculation of the time value of student work products and synchronous instruction. Identify the number of students who received a high school diploma or an industry certification. b. To the extent that HCCS' and CICA's reported ADA and student enrollment numbers are inaccurate, determine the reasons for these inaccuracies and calculate the cost of any disallowed funding related to their ADAs.	• Interviewed staff and reviewed Highlands' policies and procedures for recording, calculating, and reporting enrollment and ADA. Determined whether Highlands' policies and procedures align with applicable laws, regulations, and other criteria for both HCCS and CICA. • Selected two students each for 15 various courses at HCCS and two students each for 15 various courses at CICA from fiscal year 2019–20 through fiscal year 2023–24 for a total of 60 students in 30 courses. During selection, considered enrollment, reported attendance levels, course type, year offered, and physical location. This included English Language Development courses as well as CTE courses. • Performed completeness testing to assess the reliability of the list of courses used for selection and the completeness of course rosters and found them to be sufficiently complete for testing selection. • Using Highlands' student data, calculated student enrollment and each student's unduplicated status for HCCS and CICA for fiscal years 2019–20 through 2023–24. • To verify the accuracy of individual student attendance for students at HCCS and CICA, collected and reviewed supporting documentation of attendance, such as paper attendance and electronic attendance records. Determined whether Highlands' student attendance data matched the supporting documentation for the courses. • Using Highlands' student data, calculated ADA for HCCS and CICA for each fiscal year from 2021–22 through 2023–24. • Obtained the overall enrollment and ADA figures Highlands reported to CDE for both HCCS and CICA for each year from fiscal year 2019–20 through fiscal year 2023–24. Reviewed data to determine the accuracy of the amounts Highlands reported to CDE. Interviewed staff about the discrepancies we identified. • Calculated the amounts of disallowed ADA funding Highlands received for identified discrepancies and instances of insufficient documentation resulting from our testing. • Using Highlands' student data, calculated the number of HCCS and CICA students who received a high school diploma each fiscal year from 2019–20 through 2023–24.

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AUDIT OBJECTIVE	METHOD
	• Using Highlands' student data, calculated the number of HCCS and CICA students who promoted to higher grade levels and the number of students who repeated English classes each fiscal year from 2020–21 through 2023–24. • For students at HCCS and CICA from fiscal year 2019–20 through fiscal year 2023–24, evaluated the number of diplomas and industry certifications both schools awarded during this time period, as well as the number of students who promoted to higher grade levels or higher-level English courses. Compared the rates of these outcomes with the rates of outcomes at other schools, including traditional high schools, charter schools, traditional adult education, and charter school adult education. • To evaluate the efficacy of Highlands' attendance recording practices, conducted on-site visits of 17 current HCCS classrooms and reviewed work products of 30 CICA students. • Interviewed staff at Highlands and reviewed practices for reporting attendance hours to county human services departments. • Compared Highlands' practices to relevant federal and state requirements for TANF (CalWORKs) work verification plans.
3 Review and evaluate HCCS' and CICA's policies and procedures for ensuring that all instructors are appropriately credentialed for their assignments. Perform the following: a. Determine the number of credentialed instructors by type of credential. b. For a judgmentally selected number of instructors, including instructors on a local assignment option and those holding a Career Technical Education or adult education credential, verify whether each instructor had appropriate credentials and complied with other applicable requirements. c. Based on the results of the review in Objective 3b, identify whether instructors who lacked appropriate credentials taught students and calculate the cost of any disallowed funding related to their ADAs. d. Determine whether HCCS and CICA accurately reported to the State any instances of teacher misassignment data.	• Collected documentation and evaluated the adequacy of Highlands' policies and procedures for ensuring that all instructors are appropriately credentialed for their assignments. • Collected available data of all HCCS and CICA instructors and their credentials from fiscal year 2023–24. • Using Highlands' student and teacher data, created a list of instructors assigned to teach each class and a list of students enrolled in each class. • Using the list of instructors offered at HCCS and CICA, determined the number of credentialed instructors at Highlands from fiscal year 2023–24 and categorized the instructors by credential type. • Using the list of courses and instructors from fiscal years 2019–20 through 2023–24, selected 30 Highlands instructors, including instructors with CTE and adult education credentials, and identified the courses they taught. Compared the credentialing requirements of the courses with the instructors' credentials to determine whether the instructors had appropriate credentials for the courses they taught. We found no instructors on a local assignment option. • Of the instructors who lacked appropriate credentials, calculated the corresponding disallowable funding. • Conducted on-site classroom visits, interviews, and reviews of available documentation to determine whether paraeducators were teaching courses. • Compared available data from CTC, Twin Rivers, and Highlands to the misassignment counts Highlands submitted in its School Accountability Reports to CDE. We identified the reasons for the discrepancies we found.

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AUDIT OBJECTIVE	METHOD
4 Evaluate HCCS' and CICA's processes for ensuring that student-to-teacher ratios for both classroom-based and independent study courses comply with state requirements and their processes for ensuring students' access to adequate instructional materials and technology. Perform the following: a. For a judgmentally selected number of courses, determine whether the associated student-to-teacher ratios meet state requirements and were accurately reported to applicable parties, and whether students in these courses had access to adequate instructional materials and technology. b. To the extent that ratios at CICA or in any other course do not meet state requirements, calculate any disallowed funding.	• Conducted interviews and determined that Highlands lacks written policies and procedures for monitoring student-to-teacher ratios. Evaluated whether Highlands' practices are sufficient to adequately ensure that Highlands complies with applicable state laws or best practices for both independent study and classroom-based instruction. • Interviewed teachers, attended in-person courses, collected documentation and reviewed responses from the survey we performed to address Objective 9 to evaluate the level of access students at Highlands have to instructional materials and technology. • Using Highlands' student and teacher data, calculated the annual student-to-teacher ratios at HCCS and CICA for fiscal year 2023–24. • Determined whether Highlands' ratios were in compliance with state law and applicable best practices. For the years CICA was not in compliance with state law, we calculated the resulting disallowable funding. • Attended eight in-person courses and identified the number of instructors and students present. Evaluated the appropriateness of those ratios by comparing them to best practices and typical ratios for classes at similar schools. • Compared the student-to-teacher ratios Highlands reported in its Local Control and Accountability Plans (LCAPs) for fiscal year 2023–24 to the actual student-to-teacher ratios at Highlands' schools, and found that Highlands' ratios it reports in its LCAPs were not comparable to the ratios we used in our analysis.
5 To the extent possible, evaluate HCCS' and CICA's employment policies and determine whether they adequately promote fair hiring practices, including protecting against nepotism and conflicts of interest, ensuring employees' qualifications, and guarding against whistleblower retaliation. For a judgmentally selected number of employees and consultants from the past three years, including executives, review qualifications and determine whether the schools hired any employees or consultants because of nepotism or for any other reason resulting in an unqualified employee's hire and whether the selected employees', executives', and consultants' compensation aligns with compensation for such employees in similar districts.	• Collected and evaluated the adequacy of Highlands' employment policies and practices to determine whether it adequately promotes fair hiring practices including protecting against nepotism and conflicts of interest, ensuring employees' qualifications, and guarding against whistleblower retaliation. • Obtained and performed data reliability testing on a list of all staff for fiscal years 2021–22 through 2023–24, which we found to be complete. Selected 27 executive, administrative, and teaching staff members hired during this period based in part on compensation levels. • For the selected staff, collected documentation of employee qualifications, hiring, and promotion records. Determined whether Highlands followed appropriate hiring processes and whether hired employees had the appropriate qualifications for their positions. • Compared the compensation of a selection of Highlands' staff members with compensation of staff in similar positions at similar districts.

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AUDIT OBJECTIVE	METHOD
6 Review financial information from HCCS and CICA and determine whether their budgeting and expenditures—including expenditures for housing, employee travel, marketing and recruitment, and political contributions—are appropriate and align with applicable requirements, similar institutions, and best practices.	• Performed completeness testing of Highlands' accounting general ledgers by comparing the total revenues and expenditures to Highlands' audited financial reports for fiscal years 2019–20 through 2022–23 and found them to be complete. Highlands did not have audited financial reports for fiscal year 2023–24 available, so we did not conduct completeness testing on the fiscal year 2023–24 general ledger. • Conducted interviews and collected documentation to identify Highlands' policies and procedures for its budgets and expenditures. Determined whether Highlands' policies and procedures align with relevant laws, rules, and best practices for budgeting and expenditures. Additionally, we evaluated Highlands' process for issuing contracts to consultants to determine whether they appropriately followed all necessary procedures, including procedures for preventing conflicts of interest. • We judgmentally selected 30 transactions from fiscal years 2019–20 through 2023–24 based on high spending totals, alleged misuse of funds, unclear purposes, or financial discrepancies. We included costs related to housing, employee travel, marketing and recruitment, contracts and consultants, political contributions, and miscellaneous expenses. • Collected documentation and conducted interviews to evaluate whether each selected transaction was allowable under relevant laws, Highlands' charter, and Highlands' own policies. We also determined whether Highlands followed appropriate procedures for approving expenditures; and, to the extent possible, the reasonableness of the expenditure based on readily available best practices guidance, including FCMAT guidance. • Interviewed Highlands' staff to determine Highlands' justification and perspective for any identified transaction exceptions and evaluated the merit of those justifications.
7 Review the charter governing HCCS and CICA and determine whether the schools failed to comply with or violated their charter or applicable state law by serving students not covered by the charter.	• Collected and reviewed Highlands' relevant policies and procedures to determine whether they are adequate to ensure that Highlands only enrolls students who are California residents age 22 or older, and who do not have a U.S. high school diploma. • Selected 40 students and reviewed Highlands' records collected at the time of their initial enrollment to verify whether they met the enrollment requirements, and whether Highlands followed its policies and procedures in verifying those students' eligibility.
8 Assess Twin Rivers' processes for ensuring that charter schools, including HCCS and CICA, meet the requirements of the Education Code. Determine the extent of Twin Rivers' oversight efforts of HCCS and CICA since 2018 and the cost of this oversight, and review whether Twin Rivers has responded appropriately to information regarding alleged violations at HCCS and CICA.	• Evaluated the sufficiency of oversight actions CDE, Sacramento COE, and Twin Rivers took to ensure that Highlands responded and sufficiently addressed deficiencies identified in the 2018 FCMAT audit, notices of concern, compliance inquiries or requests from CDE, investigations, or audits from fiscal years 2018–19 through 2023–24. • Compared Twin Rivers' charter petition approval, renewal, and revocation policies to its review of the 2019 charter petitions for HCCS and CICA to determine whether Twin Rivers adequately reviewed the charters, and whether its approval of the charters was appropriate. • Compared FCMAT charter school oversight guidance to Twin Rivers' charter school oversight policies, procedures, and oversight reviews of Highlands from fiscal years 2020–21 through 2022–23. • Compared the amount of money Highlands provided to Twin Rivers for oversight, the amount Twin Rivers asserts it received for oversight, and Twin Rivers' actual cost of oversight since 2018. Identified the causes of any discrepancies. • Interviewed CDE, CTC, Sacramento COE, and Twin Rivers' staff to evaluate and report on their perspectives on any identified oversight deficiencies. • For the oversight areas wherein Twin Rivers indicated that it relied upon the annual independent audits rather than conducting its own oversight activities, identified whether the annual audit guidance required the independent auditor to review the item, and if so, whether the auditor conducted the required procedures.

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	AUDIT OBJECTIVE	METHOD
9	Survey current and former students and employees to gain perspective on the quality of the learning experience at HCCS and CICA, the frequency of student attendance, student work products and course workload, the schools' marketing strategies, any action taken toward whistleblowers, and other areas pertaining to HCCS' and CICA's responsibilities for achieving educational outcomes in compliance with state law.	• Identified and obtained data for Highlands' past and current students and teachers over the past three school years, including their preferred language and email address. • Using Highlands' student and teacher data, created lists of current and former students and employees, languages they speak, and their contact information. • Developed survey questions for each of the populations to address the quality of learning experience, frequency of attendance, student work product and course workload, marketing strategies, action taken toward whistleblowers, and other areas relevant to the audit. • Translated surveys into the required languages and sent surveys to current and former students and employees. • Analyzed survey responses for issues or trends, compared results to other audit findings, and developed report text and graphics to depict survey findings.
10	Review and assess any other issues that are significant to the audit.	None identified.

Source: Audit workpapers.

Assessment of Data Reliability

The U.S. Government Accountability Office, whose standards we are statutorily obligated to follow, requires us to assess the sufficiency and appropriateness of computer-processed information we use to support our findings, conclusions, or recommendations. In performing this audit, we relied on student and teacher data obtained from Highlands. To assess the reliability of these data, we reviewed existing information about the data, interviewed people knowledgeable about the data, and performed electronic testing of the data. We also performed completeness and accuracy testing of student attendance records by attempting to trace sampled student attendance records to supporting documentation and, as we previously discussed, we found Highlands lacked evidence to support its attendance data. As a result of our assessment, we found Highlands' data to be of undetermined reliability. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.

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HIGHLANDS
COMMUNITY CHARTER AND TECHNICAL SCHOOLS

Summary Response:

1. California State Auditor*(CSA) Finding: Ineligible K-12 Funding Due to Noncompliant Site-Based Instruction

"The CSA concluded that Highlands inappropriately received over $180 million in K-12 funding because HCCS did not provide the minimum instructional time or maintain verified attendance documentation. This rendered the school ineligible for classroom-based or nonclassroom-based funding under the law." (1)

HCCTS Summary Response:

The CSA finding assumes that during the 2022-2023 and 2023-2024 school years, HCCS did not serve one student in person for 80% of the school day and should not receive even one dollar of funding. During the 2022-23 school year, HCCS served 14,714 students; during the 2023-2024 school year, HCCS served 20,604 students. (2)

HCCS met the annual requirements from the California Department of Education (CDE) for instructional minutes of 64,800 for both the 2022-2023 and 2023-2024 school years. All HCCS Students were scheduled for the entire day. As outlined on page 5 of the Student Handbook, students must attend the entire scheduled day. Based on the Employee Handbook, on page 19, teachers must work a full 8-hour shift. (3)

CSA's survey of HCCS students noted that 74.32% reported attending an average of 4 or 5 days per week. In the same survey, 54.22% of students reported attending 3 - 5 hours, and 11.59% reported attending 6 - 8 hours on average, for a combined total of 65.81%. Therefore, a substantial number of students could and did attend for 80% of the required instructional minutes, and all students had the opportunity. The CSA had extrapolated a 2024-2025 survey and site visits to determine that 100% of the students at HCCS in two prior years did not meet state requirements for apportionment, even though different students and different employees were involved, and student demographics from earlier periods suggest that their behavior may have been different. The available evidence indicates that it cannot be assumed that no students attended for the required instructional time, and that no student was even offered this time. The CSA's opinion that HCCS inappropriately received 100% of its funding is not logical, given the CSA's own data. (4) (2)

The CSA did not follow the 2022-2023 and 2023-2024 audit guide, as the independent CPA's completing HCCS' annual audit were required by law to follow. The Independent CPA audit for both years in question had no findings related to ADA for HCCS. (5)

However, notwithstanding these disagreements relating to the analysis and legal requirements, HCCTS has already implemented the following to improve accountability. During the 2024–2025 school year, HCCTS undertook a complete overhaul of its attendance systems to bring both HCCS and CICA into full compliance with audit expectations. HCCS eliminated its prior reliance on "The Brain" system for recording attendance and replaced it with a paper-based system used in tandem with PowerSchool. The school hired a Director of Attendance to oversee compliance and implemented a detailed Standard Operating Procedure aligned with the

* California State Auditor's comments begin on page 113.

Education Code and audit guidelines. Attendance is now taken by class period, and teachers must verify that students meet a minimum 15-minute engagement threshold before being marked present. These expectations are codified in Board Policy 5113.1.

Additionally, Charter Impact (a charter school back office provider) was contracted to assist with attendance recalculations. During an internal audit HCCTS discovered a number of irregularities in CICA's independent study student to teacher ratios. This resulted in an estimated reduction of approximately $12.4 million and $0.7 million in revenue for 2022-2023, and about $4.5 million for 2023-2024, leading HCCTS to refile for those years. For independent study at CICA, HCCTS revised policies and processes to ensure that all student engagement logs and assigned work records are reviewed weekly and audited quarterly, and that all work products contain names, dates, and grades. Only credentialed teachers may approve IS Master Agreements, and each agreement is reviewed in person with the student before signature.

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2. CSA Finding: Wasteful Spending and Conflicts of Interest

"The audit found that HCCTS engaged in spending that violated state rules and undermined public trust, including expenses on luxury travel, promotional merchandise, and contracts awarded to vendors tied to employees or board members. CSA concluded these practices were unlawful and inconsistent with expectations for charter school governance."

HCCTS Summary Response:
HCCTS agrees it should have fiscal policies to ensure proper spending consistent with school priorities and have Board of Directors approval thresholds for contracts, leases, and purchases. HCCTS agrees that purchases that do not have a direct educational purpose should be eliminated.

⑥ HCCTS disagrees with the CSA's "terminology" in findings regarding extravagant, luxury, and wasteful spending, as there is no definition of these terms in the Education Code. The CSA report references FCMAT best practices, and as noted by the CSA, FCMAT best practices are not required by law.

HCCTS has already implemented the following measures to improve compliance and accountability: HCCTS adopted and revised numerous board policies to improve fiscal controls and prevent inappropriate expenditures. These included Board Policy 3360 on Gifts, Grants, and Bequests, BP 3310 on Purchasing and Vendor Selection, BP 3350 on Travel and Expense Reimbursement, and adopting a Fiscal Policies and Procedures Manual. Each policy established clear guidelines around allowable uses of public funds, vendor assessment criteria, documentation standards, and separation of duties for purchasing. HCCTS also retained legal counsel to standardize all vendor contracts and lease agreements, and it created a comprehensive contract log documenting all active agreements between July 1, 2024, and May 20, 2025. HCCTS has improved contracting language in new policies to clarify the authorization level for approval by the Board of Directors and administrative staff. Contracts now require legal review, department head approval, fiscal review, and verification of service delivery before payment. Conflict of interest training was provided to the board, and all directors and all leadership-level staff completed Form 700 statements. HCCTS's updated conflict of interest and procurement

protocols, now embedded in Board Policy 3310, require transparent, competitive selection processes and remove decision-making authority from any staff member with a personal or financial interest.

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3. CSA Finding: Uncredentialed Teachers and Weak Staffing Oversight

"Reported that HCCTS had a high number of teachers working without proper credentials or in misassigned roles. The school lacked consistent hiring criteria, employed family members without adequate documentation, and had no merit-based salary system. These shortcomings were found to compromise legal compliance and educational quality."

HCCTS Summary Response:
HCCTS agrees that all teachers should hold a valid teaching credential and that classroom paraeducators should not be permitted to teach without valid teaching credentials. HCCTS believes the CSA is holding HCCS and CICA to a higher standard than other charter schools, where relatives may work together to benefit students. (7)

HCCTS agrees with CSA's statement, "a lack of guidance from the CTC left Highlands unaware that adult education credentials are inappropriate within K-12 settings…" HCCTS was directly informed by the San Diego County Office of Education, "To clarify authorizations here is a summary: single subject and multiple subject credentials: do not authorize teaching in an adult setting, adult education credentials authorize the holder to teach the subjects named on the credential in courses primarily for adults (not authorized to teach K-12)." They also provided supporting documentation from the CTC (CL-697B leaflet) requiring HCCTS to move away from K-12 credentials in favor of adult education credentials. For 10 years, teachers at HCCTS held this credential without issue. In February 2025, the CTC decided to enforce K-12 single-subject credentials requirements on HCCTS. The change in interpretation resulted in 631 HCCTS being laid off as of June 30, 2025. The misassignments generated and reported in the CSA report were based on this change. HCCTS' prior year reporting on misassignments was based on teachers having adult education credentials. The CSA significantly misrepresents the number of teachers without a valid teaching credential by retroactively imposing new K-12 credentialing requirements that were not communicated with HCCTS until February 2025. (8)

HCCTS disagrees that paraeducators are teaching classes. The role of paraeducators at HCCTS varies significantly from the role of a teacher. The role of an HCCTS paraeducator includes providing language support, translating as needed, re-engaging absent students, and providing one-on-one/small-group help within our classrooms. Given the high number of English language learners, most of our paraeducators possess English as a second or third language, making them English language learners. Some paraeducators were teachers in their home countries before immigrating to the U.S. To support them in their desire to become certificated teachers in California, HCCTS previously offered a paraeducator-to-teacher preparation pathway where paraeducators would learn adult-education principles and apply them when leading small groups of students under the supervision of a certificated teacher. Given these circumstances, there may (9)

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have been some confusion for paraeducators that resulted in paraeducator self-reporting that they are teaching.

However, HCCTS has already implemented the following to improve compliance and accountability. In the 2024–2025 school year, HCCTS significantly changed its credentialing and staffing procedures. The school established a credentialing support team of internal staff and credentialing consultants and reviewed more than 300 staff profiles. Individual credential pathway plans were developed, and 269 one-on-one consultations were held with teachers. HCCTS launched a partnership with UMass Global to create an intern credential pathway with tuition coverage for staff and offered reimbursement for credential exam fees and coursework through Board Policy 4112.3. All staff with noncompliant assignments were notified, and instruction in July 2025 was suspended to allow credential corrections before the next school year.

Additionally, Board Policy 4112.2 now requires all certificated staff to hold valid credentials at the time of hire and to provide timely proof of renewal. HCCTS also created a centralized credentialing dashboard and updated the use of Frontline to track credential data, staff evaluations, and assignment compliance. In response to the loss of DASS status and updated guidance from CTC and CDE, HCCTS transitioned away from Adult Education credentials and now requires single-subject or multiple subject credentials for all teachers. HCCTS adopted Board Policy 4212.8, prohibiting relatives from participating in hiring or evaluation processes involving family members to address concerns about nepotism and favoritism. Interviewers must complete disclosure forms, and job postings, evaluations, and offers are now tracked and reviewed centrally by the HR department to ensure consistency and equity.

HCCTS Responses to CSA Recommendations

Submitted May 27, 2025

Recommendation 1:
"Implement a system that allows it to track how long its students are actually attending its classroom-based instruction."

HCCTS Response:
HCCTS agrees to implement this recommendation for HCCS by taking attendance every period, but not minute-by-minute student attendance as has been suggested by CSA staff.

HCCTS is committed to improving the process for collecting and maintaining accurate attendance records for both HCCS and CICA. HCCTS has already improved attendance policies and procedures during the 2024-2025 school year. Additionally, HCCTS has already implemented the following:

- Hired a Director of Attendance
- Drafted a detailed HCCS Attendance SOP aligned with legal requirements and audit guidelines, and tracked attendance per period
- Separate daily attendance taking per period
- Trained all teachers and administrative staff on updated attendance processes
- Developed and implemented five board policies related to attendance

For the complete HCCTS Response to CSA Recommendation 1, click here. ⑩

Recommendation 2:
"Establish a policy to structure its classroom-based courses in such a way that it provides educational activities for the duration of the class day as indicated in its bell schedules and requires its students to attend for the class day."

HCCTS Response:
HCCTS agrees that students should engage in substantial daily activities and that educational activities must be available throughout the instructional day. HCCTS has already implemented the following:

- Updated the HCCS bell schedule for the 2025-2026 school year
- Updated attendance tracks for AM & PM for the 2025-2026 school year so that there is only one track, creating clarity and consistency in the bell schedules

- Adopted policies and schoolwide SOPs to ensure students remain engaged in educational activities for the whole class day as required

For the complete HCCTS Response to CSA Recommendation 2, click here.

Recommendation 3:
"Ensure that its policies and procedures for reporting student participation to county offices of human assistance for purposes of determining eligibility for assistance programs allow for and require accurate reporting."

HCCTS Response:
HCCTS agrees that accurate reporting is essential to participation in the Department of Human Assistance (DHA) programs. In the 2024–2025 school year, the Board of Directors approved the Standard Operating Procedure (SOP) for Reporting Student Attendance Hours to a Public Assistance Agency. HCCTS has met with DHA representatives to improve student reporting accuracy. Topics included:

- Importance of daily student attendance
- Tracking attendance by period
- Time value of student attendance and homework
- Improved communication and accountability for DHA clients

HCCTS has also taken the following actions:

- Met with and will continue DHA partnership meetings to ensure all policies align with federal and state expectations
- Realigned policies to meet state and federal requirements so that HCCTS is not incorrectly reporting student participation in the DHA/CalWorks program

For the complete HCCTS Response to CSA Recommendation 3, click here.

Recommendation 4:
"Create and implement written policies and procedures for how it reports ADA to CDE for funding, including details about which days should and should not be excluded."

HCCTS Response:
HCCTS agrees with this recommendation and has already implemented the following:

- Developed a board policy that mandates that HCCTS follow the 20-day attendance calendar
- HCCTS has filed corrections for prior years' ADA, which was based on using attendance tracks incorrectly for HCCS

- Charter Impact was contracted to assist with ADA recalculations and to ensure accurate reporting
- Drafted an Attendance SOP for the 2025-2026 school year, which outlines steps in the reporting process to CDE
- Developed a new calendar that aligns with legal requirements and CDE 20-day attendance guidelines

For the complete HCCTS Response to CSA Recommendation 4, click here.

Recommendation 5:
"Create and implement written policies and procedures that require maintaining documentation, such as sign-in sheets that support the attendance it records in its attendance reporting system for HCCS."

HCCTS Response:
HCCTS agrees with this recommendation and has already implemented the following:

- HCCS implemented a paper-based attendance system as a backup to PowerSchool
- Adopted board policy that mandates three-year retention of attendance records, both digital and paper
- Hired a Chief Business Official (CBO), Director of Attendance, and attendance team to oversee regular audits of manual sign-in sheets and SIS attendance (PowerSchool)
- Trained staff on accurate documentation
- Instituted regular audits to verify the accuracy and integrity of attendance records

For the complete HCCTS Response to CSA Recommendation 5, click here.

Recommendation 6:
"Define what constitutes sufficient work products from CICA students and implement a policy ensuring that it only reports attendance for students who provide documentation for that work."

HCCTS Response:
HCCTS agrees with this recommendation and has already implemented the following:

- HCCTS updated a board policy to establish requirements for Independent Study (IS) documentation and engagement tracking, including:
    - Weekly review of logs and work records
    - Quarterly audits of assigned work
    - Teacher signatures on the IS Master Agreements
    - Defined standards for sufficient student work products (including student name, date, and grade)

- Implementation of an Independent Study Compliance Training for teachers and management staff
- Master Agreements have been translated into five languages to ensure accessibility and understanding by students
- Creation of an Assigned Work Record PLC sessions to improve work tracking practices

For the complete HCCTS Response to CSA Recommendation 6, click here.

Recommendation 7:
"To ensure that Highlands spends K-12 funding appropriately, Highlands should, by December 2025, implement policies and procedures that outline the allowable uses of public funding, criteria for assessing and selecting vendors, and a purchasing process that includes separation of duties and requirements for multiple approvals."

HCCTS Response:
HCCTS agrees with this recommendation and has already provided updated fiscal training for designated staff and implemented seven board policies and an administrative regulation based on legal requirements and best practices, including developing a fiscal policy and procedure manual.

For the complete HCCTS Response to CSA Recommendation 7, click here.

Recommendation 8:
"To ensure that it does not execute inappropriate or wasteful contracts, Highlands should, by December 2025, implement comprehensive contracting policies and procedures that require multiple approvals, standardized contracting language, and proof of delivery of services."

HCCTS Response:
HCCTS agrees with this recommendation and has already implemented MOUs, leases, contracts, vendor procedures, fiscal training, and developed four board policies and an administrative regulation based on best practices and legal requirements. Additionally, a manual for fiscal policies and procedures was developed. HCCTS contracted with legal counsel to create standardized vendor contracts, lease agreements, and MOUs for use across HCCTS.

In the 2025-2026 school year, HCCTS will continue to provide fiscal training to designated staff and implement new board policies or revisions to improve fiscal transparency and accountability further.

For the complete HCCTS Response to CSA Recommendation 8, click here.

Recommendation 9:
"To ensure that it does not violate state laws prohibiting conflicts of interest, Highlands should, by December 2025, implement a policy to provide annual Conflict of Interest training to all designated staff members and implement procedures to prevent employees from entering into contracts in which they have a financial interest, such as with a spouse."

HCCTS Response:
HCCTS agrees with this recommendation and has already implemented the following:

- Delivered conflict of interest training to the board, executive leadership, and key directors
- Verified completion of Form 700 by all directors and executive staff to ensure legal compliance and transparency
- Implemented five board policies and one administrative regulation aligned with legal standards and best practices
- Developed and approved the Fiscal Policies and Procedures Manual (08/01/2024) to standardize and ensure compliance in HCCTS' financial operations
- For 2025–2026, HCCTS will continue conflict of interest training, as required by law, and will update board policies to strengthen fiscal oversight

For the complete HCCTS Response to CSA Recommendation 9, click here.

Recommendation 10:
"To ensure transparency in its purchasing practices, Highlands should, by December 2025, revise its policies to require that all purchases and contracts over $115,000 be approved by the board. Highlands may adjust the amount annually in accordance with CDE's inflation-adjusted bid threshold amount."

HCCTS Response:
HCCTS agrees with the recommendation that contracts and leases above $100,000 should require Board of Directors approval, which has already been implemented with the adoption of Board Policy 3310 on March 20, 2025. HCCTS will also include purchases that meet the same threshold in the future, even though charter schools are not subject to bid limits.

HCCTS has already taken the following action:

- Updated board policy 3310, Purchasing and Vendor Selection which states: "The Executive Director is authorized to enter into contracts and agreements within approved limits. Any lease agreements or consulting agreements over $100,000 require prior Board approval."

For the complete HCCTS Response to CSA Recommendation 10, click here.

Recommendation 11:
"To ensure that it hires employees with proper qualification for their roles, Highlands should, by December 2025, implement policies and procedures that formalize its hiring process, including deciding on a position's minimum qualifications before hiring begins, maintaining documentation of each step of the process for each candidate, standardizing the creation of job descriptions, implementing recruitment practices that include external and internal applicants, and standardizing the interview and job offer process."

HCCTS Response:
HCCTS agrees with this recommendation and has already done the following:

- Instituted active review and update of documentation related to employees' minimum qualifications to ensure alignment with position requirements
- Ensured that all interviews and hiring processes—regardless of whether a candidate is hired—are being documented and maintained by Human Resources
- Begun the adoption of an interview tracking system using CODA, which will be fully implemented in the 2025–2026 school year
- Standardized in the interview process in accordance with Board Policy 4111 to promote consistency and fairness across all hiring decisions
- Outlined recruitment practices for internal and external applicants in accordance with Board Policy 4111

For the complete HCCTS Response to CSA Recommendation 11, click here.

Recommendation 12:
"To ensure that no current employee at Highlands has the power to influence the hiring of their relative, Highlands should, by December 2025, require job applicants to assert whether they are related to a current employee at Highlands and require job interviewers to assert that they are not related to the individual they are interviewing. It should also develop or revise its policies to prohibit relatives from being involved in the hiring and interview process for their relatives."

HCCTS Response:
HCCTS agrees with the recommendation and is committed to integrity in the hiring process. The following has already been implemented:

- Delivered conflict of interest training to the board and executive leadership team
- Ensured all directors and executives completed Form 700 to maintain transparency and meet legal requirements
- Implemented three board policies in line with legal standards and best practices

- Approved hiring practices as outlined in BP 4111
- Added a question to the EdJoin application, requiring applicants to disclose whether they are related to any current Highlands employees
- Mandated that interviewers must now state in interview documentation whether they are related to or personally know the candidate

For the complete HCCTS Response to CSA Recommendation 12, click here.

Recommendation 13
"To ensure that pay is assigned equitably and based on merit and performance, Highlands should implement a policy by December 2025 to create a merit-based structure for devising its salary schedules, evaluating staff, assigning salaries and salary increases, and deciding on annual bonus amounts."

HCCTS Response:
HCCTS agrees with the recommendation and has already implemented a policy to ensure equitable pay.

In August 2024 HCCTS contracted with School Services of California to conduct a thorough salary analysis. HCCTS intended to better understand how salaries of employees compared to other schools in Sacramento and across the state and use their report to inform salary decisions and ensure equitable pay. Unfortunately, due to the scrutiny of this audit, School Services of California informed HCCTS in the spring of 2025 they could no longer continue their work for HCCTS until the CSA completed their audit findings and recommendations.

HCCTS agrees that updated salary schedules are needed and are being worked on as of this report's publishing, however implementation is impractical by December 2025. Still, it will be accomplished for the 2026-2027 fiscal year. In addition, HCCTS has implemented performance-based evaluations, which now integrate employee qualifications, job performance, and impact.

For the complete HCCTS Response to CSA Recommendation 13, click here.

Recommendation 14:
"To prevent favoritism and pay inequity, Highlands should, by December 2025, implement a policy to adhere to its salary schedules and not allow executive management to approve increases outside of salary schedule limits."

HCCTS Response:
HCCTS agrees with the recommendation. As of July 1, 2025, no employee will be placed outside salary schedule limits. HCCTS has approved a board policy to ensure an equitable process.

For the complete HCCTS Response to CSA's Recommendation 14, click here.

Recommendation 15:
"To ensure that Highlands' instructors can provide students with a quality education from credentialed teachers, Highlands should, by December 2025, document and implement a process to ensure that its teachers are properly credentialed and appropriately assigned to classes, including ensuring that paraeducators do not teach classes."

HCCTS Response:
HCCTS agrees with this recommendation and believes teachers provide quality instruction to HCCS and CICA students. Despite the recent change in interpretation by CDE and CTC, HCCTS remains committed to offering a quality education to its students. HCCTS has already taken significant steps to ensure the appropriate credentialing of its teachers despite inconsistent guidance from credentialing authorities. HCCTS has already completed the following:

- Clarified in the employee handbook that paraeducators are not responsible for teaching
- Trained all academic staff on the paraeducator role, emphasizing that it does not include classroom instruction
- Created a credentialing dashboard to monitor staff credentials and assignments
- Centralized employee credentials in Frontline for administrator access
- Adopted two board policies to ensure teacher credential compliance

For the complete HCCTS Response to CSA's Recommendation 15, click here.

Recommendation 16:
"Highlands should create a policy to establish an acceptable student-to-teacher ratio for its classroom-based instruction and calculate and monitor its ratios."

HCCTS Response:
HCCTS agrees with this recommendation, even though no requirement exists in law, and it is consistent with higher education institutions that serve adults. HCCTS has already approved three board policies that outline student-to-teacher ratios for classroom-based instruction.

HCCTS has already completed the following:
- Set enrollment caps for all classes based on classroom square footage
- Approved board policy establishing class caps
- Developed and maintained a class enrollment tracker to support academic and enrollment team coordination
- Strengthened and updated disenrollment protocols

For the complete HCCTS Response to CSA Recommendation 16, click here.

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Recommendation 17:
"Highlands should implement a policy by December 2025 to comply with all School Accountability Report Card requirements."

HCCTS Response:
HCCTS agrees that the School Accountability Report Card (SARC) requirement should be complied with per state regulations, but not by a policy. HCCTS has already implemented and completed the 2023-2024 SARC that complies with state regulations, which should have been noted in the CSA's report.

- On January 23, 2025, the HCCTS board approved a reformatted and expanded SARC for HCCS and CICA based on CDE recommendations and state regulations
- Additional staff were assigned to ensure the SARC complies with all CDE recommendations

For the complete HCCTS Response to CSA's Recommendation 17, click here.

Recommendation 18:
"Highlands should, by December 2025, implement procedures to require participation in the California Science Test annually."

HCCTS Response:
HCCTS agrees with this recommendation and has already implemented California Science Test (CAST) testing for students in the 2024-2025 school year. However, the CDE did not require HCCTS students to participate in state testing in prior years.

HCCTS has already completed the following:
- Established a CAST testing window with CDE
- Designated an LEA CAASPP Coordinator
- HCCS conducted CAST testing for the 2024-2025 school year

For the complete HCCTS Response to CSA's Recommendation 18, click here.

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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM HIGHLANDS COMMUNITY CHARTER AND TECHNICAL SCHOOLS

To provide clarity and perspective, we are commenting on the response to our audit report from Highlands. The numbers below correspond with the numbers we have placed in the margin of Highlands' response.

Highlands' incorrectly quotes our report by stating that we concluded it inappropriately received funding because HCCS did not provide the minimum instructional time or maintain verified attendance documentation. However, this is not a conclusion we make anywhere in our report. Instead, we conclude on page 16 that HCCS did not meet two key conditions of funding for classroom-based instruction. These conditions are that the school must offer at least 80 percent of its instructional time at the schoolsite, and that the school must require the attendance of students at the schoolsite for at least 80 percent of the minimum instructional time required by law. Further, because more than 20 percent of HCCS' instruction is nonclassroom-based, but it has not received a determination of funding from the State Board of Education, HCCS is also ineligible for funding for nonclassroom-based instruction. Thus, we stand by our conclusion that HCCS was not eligible to receive the $177 million in K–12 funding it received for fiscal years 2022–23 and 2023–24. (1)

Highlands' argument that our finding that it was ineligible to receive K–12 funding is based on the assumption that Highlands never served a single student for 80 percent of a school day ignores the key legal requirement that in order to be eligible for funding for classroom-based instruction, it must require students to attend at the schoolsite for at least 80 percent of the minimum instructional time required by law. As we describe on page 13, students arrived and left the classroom at various times with no instructor attempting to enforce a requirement for attendance. Further, on page 14, we state that Highlands' executive director also confirmed that students have not been required to attend for 80 percent of the offered instructional minutes because the previous administration focused on enrollment and not attendance. It is for these reasons, among others, that we conclude Highlands was ineligible to receive K–12 funding for classroom-based instruction. (2)

Highlands' statement that its students were scheduled for the entire day and that its student handbook required students to attend the entire day does not align with what we observed in HCCS classrooms. Specifically, as we describe on page 13, our observations found that teachers lectured for only two to three hours, and that most of the instructors we spoke to stated that they used the rest of the scheduled class session as optional time for students. We further explain that we saw several students sign into class and then immediately leave with no instructor attempting to enforce a requirement for attendance. Thus, we stand by our conclusion that Highlands did not require the attendance of students at the schoolsite for at least 80 percent of the minimum instructional time required by law. (3)

④ Highlands' reference to the survey responses we received from HCCS students is misleading. Highlands correctly states that 54.22 percent of students reported attending between three and five hours a day, however, this is not contradictory to the conditions we discuss in the report. In fact, the variance in student responses, given that Highlands' school day is scheduled for six hours, further demonstrates that Highlands has made it optional for its students to attend. Further, Highlands' response ignores that 29 percent of students responded that they attended classes for only one to two hours per day, as we state on page 14.

⑤ Highlands' claim that our audit did not follow the audit guide is misleading and incorrect. The K–12 audit guide is a reference for annual educational audits conducted by Certified Public Accountants pursuant to Education Code section 41020, while we performed this audit at the request of the Joint Legislative Audit Committee pursuant to Government Code section 8546.1. Nonetheless, we did reference the K–12 audit guide in making our determination that Highlands was not eligible to receive K–12 funding for HCCS in fiscal years 2022–23 and 2023–24. Specifically, on page 15 of our report, we state that because we concluded that HCCS did not meet the requirements for K–12 funding for classroom-based instruction, we followed the instructions in the K–12 audit guide and assessed whether it qualified for funding under the requirements for nonclassroom-based instruction. Based on our assessment and as we describe on page 15 of the report, we found that HCCS also did not qualify for nonclassroom-based funding.

⑥ Highlands' response incorrectly states that we use the term "luxury" in our report. Although we conclude in the section beginning on page 21 that Highlands wasted public funds and made extravagant travel expenditures, nowhere in our report do we use the term "luxury." As we describe on page 23, the terminology we use is defined by Government Auditing Standards, which state law requires our office to follow.

⑦ Highlands is incorrect in its belief that we are holding HCCS and CICA to a higher standard than other charter schools in our discussion of its policy allowing for the hiring of relatives. On page 28, we explain that FCMAT's best practices state that a charter school may hire family members as long as there is a policy allowing it and as long as the family member abstains from serving on the interview panel and from any vote to approve a family member's employment. As we conclude on page 27, we found that Highlands' policy does not prohibit relatives from being in a position to hire each other, which does not adequately protect against favoritism or other unfair hiring practices.

⑧ Highlands' statement that we misrepresent the number of teachers without a valid teaching credential ignores our report's overall conclusions. Figure 9 on page 34 shows that 13 of 30 teachers we reviewed held K–12 credentials but were still considered misassigned because they taught classes outside their credential's authorization, and five of the teachers lacked any teaching credential at all. On page 36, we state that CTC did not publish the appropriate credentialing requirements for schools such as Highlands, ultimately resulting in many of Highlands' misassignments. However, because we identified several ways that Highlands' teachers lacked appropriate credentials, we stand by our recommendation that Highlands should document and implement a process to ensure that its teachers are properly credentialed and appropriately assigned to classes.

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Although Highlands' response indicates that paraeducators are not teaching classes, the evidence we obtained as part of our audit indicates that this may not have always been true. As we state on page 38, although our on-site observations did not identify any instances of paraeducators teaching classes, responses to our survey and Twin Rivers' concern about the possibility of Highlands hiring paraeducators into teaching positions without holding the proper credentials indicate that this may have happened in the past. Further, on page 38, we point out that more than 25 percent of individuals responding to our survey indicated that during their employment as a paraeducator at Highlands, someone had asked them to teach a class. Because of these concerns, we stand by our recommendation that Highlands document and implement a process to ensure that its teachers are properly credentialed and appropriately assigned to classes, including ensuring that paraeducators do not teach classes. (9)

For each of Highlands' responses to our recommendations, Highlands provides links to attachments containing complete responses to our recommendations that go into further detail about actions Highlands is taking to implement our recommendations. These attachments can be made available upon request. (10)

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YM&C

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MAY 27, 2025

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RE: Additional Information pertaining to State Audit of Highlands Community Charter School

Dear California State Auditor,

This letter provides additional information in response to a draft audit report that the California State Auditor (the "State Auditor") presented to Highlands Community Charter School ("Highlands") on April 10, 2025 and May 20, 2025. While Highlands acknowledges the need for improvement in certain areas that the draft audit report identifies, the law allows charter schools to implement the programs in their charters absent an express provision of law otherwise. Highlands was following guidance it was provided by other agencies and never received any negative audit findings relating to the same. Moreover, in many places the draft audit report extrapolates an issue from a small sample set of students or interviews and assumes that all fifty (50) school sites and the entirety of the charter school operates in similar fashion and thus that Highlands does not deserve any funding despite having educated more than 10,000 students during each of the two school years under review. Further, the interpretations of law in the draft audit report creates new legal requirements for charter schools (e.g., requiring charter schools like Highlands to academically sanction students for nonattendance to demonstrate that it is requiring the legally mandated amount of attendance) that are not supported in law. ① ②

At the outset, we note that the draft state audit report does not acknowledge in any way that Highlands proceeded to make credentialing decisions after consulting with the Sacramento County Office of Education and the San Diego County Office of Education, which are responsible for providing credentialing oversight and advice on behalf of the Commission on Teacher Credentialing. Highlands has operated openly and transparently primarily with adult education credentials since its inception. None of the independent audit reports had a finding about this, nor did the charter school's authorizer, the county offices of education, the California Department of Education or CTC raise a concern about this practice until this academic year. In fact, the San Diego County Office of Education specifically trained Highlands teachers so that they could obtain adult education credentials to teach in Highlands' program. This was done as a result of a recommendation from the Sacramento County Office of Education to use the San Diego County adult education credentialing program. If there was a failure here pertaining to

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* California State Auditor's comments begin on page 139.

credentialing, it was no fault of Highlands, and Highlands should not be penalized for any mistakes and directions provided by oversight agencies.

Given the substantial compliance, the equities, the inability to determine with certainty the facts about what occurred in prior years, ambiguity in the law, and the devastating impact of a resulting nearly $200 million loss to Highlands (and its current students), Highlands respectfully requests that the State Auditor reconsider its finding of 0% apportionment for this charter school and limit its findings to recommendations to the Legislature to improve the clarity of the Charter Schools Act for the types of programs like Highlands that provide critical education to a very deserving student population. As you know, Highlands has already either implemented or is in the process of implementing all of the recommendations in the State Audit report. Highlands is fully committed to compliance with its requirements under the law and is going above and beyond that to implement best practices recommendations that your team has made.

I. The Draft Audit Report is Incorrect in its Determination of Highlands Community Charter School's Earned Apportionment and Compliance

The draft audit report determined that Highlands should qualify for 0% apportionment for two full school years (22/23 and 23/24) due to its alleged deficiencies, which in large part involved an alleged failure to comply with an 80% attendance requirement for classroom-based attendance. Highlands should qualify for substantially more apportionment than determined in the draft report because 1) requiring student attendance for at least 80% of instructional time is not an express condition of apportionment; 2) it is not clear that the laws the State Auditor cites on these points are applicable given Highlands' unique, all-adult student population, and 3) even if these laws do apply, Highlands should at most only face a loss in apportionment proportional to the claimed deficiency, making 0% apportionment an incorrect result given the alleged violations.

③ A. The 80% Attendance Requirement Is Not an Express Condition of Apportionment for a Charter School, and Highlands Should Not Lose Apportionment as Contemplated in the Draft Audit Report

i. Education Code section 47612.5 Specifically States Which Specific Requirements for Charter Schools Are Conditions of Apportionment

Not all of the rules for charter schools set forth in the Education Code are conditions of apportionment. Education Code section 47612.5 specifies which of the various rules within the statute are a condition of apportionment by saying so explicitly. Ed. Code, § 47612.5(a) states:

> (a) Notwithstanding any other law and **as a condition of apportionment**, a charter school shall do all of the following:
> (1) For each fiscal year, offer, at a minimum, the following number of minutes of instruction:
> (A) To pupils in kindergarten, 36,000 minutes.
> (B) To pupils in grades 1 to 3, inclusive, 50,400 minutes.
> (C) To pupils in grades 4 to 8, inclusive, 54,000 minutes.

> (D) To pupils in grades 9 to 12, inclusive, 64,800 minutes.
> (2) Maintain written contemporaneous records that document all pupil attendance and make these records available for audit and inspection.
> (3) Certify that its pupils have participated in the state testing programs specified in Chapter 5 (commencing with Section 60600) of Part 33 in the same manner as other pupils attending public schools as a condition of apportionment of state funding. (*emphasis added*).
>
> Ed. Code, § 47612.5(e)(1) states, in relevant part:
>
> Notwithstanding any other law, and **as a condition of apportionment**, "classroom-based instruction" in a charter school, for purposes of this part, occurs only when charter school pupils are engaged in educational activities required of those pupils and are under the immediate supervision and control of an employee of the charter school who possesses a valid certification document registered as required by law. (*emphasis added*).

In the statute, where the legislature intended to make certain requirements a condition of apportionment for charter schools, it specifically said so. Ed. Code, § 47612.5 contains other requirements which are not specifically prefaced by the "as a condition of apportionment" language. If the legislature had wanted all of the requirements set forth in Ed. Code, § 47612.5 to be conditions of apportionment, it could have said so in the statute.

> *ii. The Rule that Charter Schools Must Require Students to Attend Class for At Least 80% of the Minimum Instructional Time Required to Be Offered is Not Designated as a Condition of Apportionment under Education Code section 47612.5*

Ed. Code, § 47612.5 distinguishes between the rule that a charter school must "offer" a minimum number of instructional minutes per year and the rule that "the charter school shall require the attendance of all pupils for whom a classroom-based apportionment is claimed at the schoolsite for at least 80 percent of the minimum instructional time required to be offered pursuant to paragraph (1) of subdivision (a)." *See* Ed. Code, § 47612.5(e)(1). The entire text of Ed. Code, § 47612.5(e)(1) reads as follows:

> Notwithstanding any other law, and **as a condition of apportionment**, "classroom-based instruction" in a charter school, for purposes of this part, occurs only when charter school pupils are engaged in educational activities required of those pupils and are under the immediate supervision and control of an employee of the charter school who possesses a valid certification document registered as required by law. For purposes of calculating average daily attendance for classroom-based instruction apportionments, at least 80 percent of the instructional time offered by the charter school shall be at the schoolsite, and the charter school shall require the attendance of all pupils for whom a classroom-

> based apportionment is claimed at the schoolsite for at least 80 percent of the minimum instructional time required to be offered pursuant to paragraph (1) of subdivision (a). (*emphasis added*).

Here, the "as a condition of apportionment" designation describes the rule that classroom-based instruction occurs "only when charter school pupils are engaged in educational activities required of those pupils and are under the immediate supervision and control of an employee of the charter school who possesses a valid certification document registered as required by law." *See id.* The phrase "and the charter school shall require the attendance of all pupils for whom a classroom-based apportionment is claimed at the schoolsite for at least 80 percent of the minimum instructional time required to be offered pursuant to paragraph (1) of subdivision (a)" is not prefaced by the "as a condition of apportionment" language. *See id.* Therefore, the provision that the charter school shall "require the attendance" of students, while something charter schools are directed to do, is not a condition of apportionment under the law.

④ The distinction between "offering" instructional minutes being a condition of apportionment and "requiring the attendance" of students not being a condition of apportionment also makes logical sense. A charter school has control over how many instructional minutes it "offers," but it cannot force "all pupils" to attend for at least 80% of instructional time. This is true of both minor and adult pupils. Students can have various reasons, such as illness or disability, that end up preventing them from physical presence at a school for at least 80% of instructional minutes. It is illogical for a charter school's apportionment of funding to be conditioned on a factor that it cannot control.

⑤ *iii. The Education Code Provides for a Proportional Loss for Claims of Failure to Provide the Minimum Instructional Minutes, Rather Than a Total Loss*

Education Code section 47612.5(c) explains how a reduction in apportionment shall be calculated when a charter school fails to provide the required annual instructional minutes under Education Code section 47612.5(a). *See* Ed. Code, § 47612.5(c). It provides as follows:

> A reduction in apportionment made pursuant to subdivision (a) shall be proportional to the magnitude of the exception that causes the reduction. For purposes of paragraph (1) of subdivision (a), for each charter school that fails to offer pupils the minimum number of minutes of instruction specified in that paragraph, the Superintendent shall withhold from the charter school's apportionment for average daily attendance of the affected pupils, by grade level, **the sum of that apportionment multiplied by the percentage of the minimum number of minutes of instruction at each grade level that the charter school failed to offer**.

Ed. Code, § 47612.5(c) (*emphasis added*). The legislature specifically set forth a formula to calculate how a charter school's deficiency in offering instructional minutes shall affect its

apportionment. This contradicts the draft audit report's contention that apportionment should be zero if a charter school fails to meet the instructional minute requirements.

B. Instructional Minutes are Annual in Nature for Charter Schools, Not Daily as Required for Other Types of Schools

Further, instructional minutes are annual in nature for charter schools, not per day like they are for public school districts. Charter schools do not have minimum day requirements by law, but they do have annual minute requirements. *See* Ed. Code, § 47612.5. Education Code section 42238.05, subdivision (f), states, "For purposes of Sections 42238.02, 42238.025, and 42238.03, average daily attendance for a charter school shall be the total current year average daily attendance in the corresponding grade level ranges for the charter school." Ed. Code, § 42238.05. It does not make sense, therefore, to evaluate a charter school based on students' reports of the percentage of a single day the students attended. (6)

In its draft report, the State Auditor concedes that Highlands' instructional calendar and bell schedule satisfy the instructional minute requirement for minutes offered. Highlands had procedures in place to facilitate this offer of instruction and required students to participate in this instruction, including systems for splitting classes when a physical classroom became too full. Because all of Highlands' students are adults, there was no legal way to force the students to remain in the classroom for at least 80% of instructional time, but they were required to attend under the Highlands' policies and possess all of the same motivations to stay in class as adults in other settings such as public higher education institutions.

It is our belief that most charter schools have interpreted the "require" language in 47612.5 to mean that the charter school cannot approve a classroom-based student schedule with optional course or that would result in the student being off-site for more than 20% of the time, unless a particular exception applies. For example, if a student wanted to create a schedule that involved 70% of their instructional minutes being earned through work study or community college courses, that would not be allowable unless another express statutory provision applies. The school must maintain a policy or practice that programs for required courses occur on campus for at least 80% of the minutes. 5 CCR 11963 uses the language: "The charter school requires its pupils to be in attendance at the schoolsite at least 80 percent of the minimum instructional time required pursuant to Education Code section 47612.5(a)(1)." The issue of whether minutes were offered and required is different from whether a student may be marked as present for purposes of claiming ADA. 5 CCR 11960 gives us the rule that a student may be marked as in attendance for ADA purposes when they are "engaged in educational activities required of them by their charter schools, on days when school is actually taught in their charter schools." If they are engaged for a millisecond, that is apparently enough. There is no rule that a student's "present" must be turned into an "absence" if the student shows up and then leaves. Classroom-based ADA has never been based on actual minutes attended, so long as the student showed up and engaged in educational activities required by the school at least at some point during the school day. (7) (8)

C. The Law Requiring Mandatory School Attendance for 80% of Instructional Time Does Not Appear to Have Contemplated All-Adult K-12 Charter School Classes

Highlands should also not be penalized based on laws geared toward keeping children in compulsory education. Truancy requirements are not the same for Highlands—an all-adult school—as they are for a traditional K-12 school that serves children. California Education Code section 48200 states, "Each person between the ages of 6 and 18 years not exempted under the provisions of this chapter or Chapter 3 (commencing with Section 48400) is subject to compulsory full-time education." Students at Highlands, all of whom are adults, are not similarly "subject to compulsory full-time education" under the Education Code.

There is a strong public policy reason to ensure that K-12 charter schools which teach children are required to maintain the compulsory school attendance that is mandatory for those children. Among other reasons, minors are being supervised by school employees to ensure their safety when their parents are not there. The same is not true for adults, who cannot be forced to attend classes and are free to make their own decisions about how much education they wish to receive. Additionally, for adults there is much less justification for making them stay in the same supervised classroom, as they are generally able to ensure their own safety and care for themselves. Attendance for adults at Highlands is akin to adults attending a community college, California State University or University of California campus. No professors lock the doors to ensure an adult student cannot leave, and yet the state continues to fund these higher education institutions. What compels Highlands students to attend is the same thing that compels higher education students to attend – the desire to earn good grades, the desire for knowledge, and the desire for job skills that will help them acquire gainful employment to provide a better life for themselves and their families. Highlands does not have access to Student Attendance Review Boards ("SARB") in the same manner as school districts, so even if there was some argument that adults should be penalized like children, there is no state process for doing so.

D. Even Under the State Auditor's Interpretation of Relevant Laws, Highlands Community Charter School Should Not Be Considered at 0% Compliance for Purposes of Apportionment

i. It Is Impossible to Determine the Exact Daily Attendance Rates from Prior School Years, But the Correct Number Would Not Be 0% Average Daily Attendance

In the draft audit report, the State Auditor takes the position that all average daily attendance at Highlands should be denied for purposes of apportionment for two school years (22/23 and 23/24 school years). The draft audit report bases this conclusion on the Auditor's in-person observations *during the 2024-2025 school year and surveys done in 2024-2025*. However, many students attended at least a portion of the instructional minutes each day, and some students would have attended the whole class period offered on most, if not all, days, during the school years in question.

The draft audit report also seeks to deny Highlands any attendance credit based on a survey in which 29% of students stated that they attended a relatively small portion of the school day. Even assuming that the law required Highlands to lock the doors or otherwise bar the exit of students (and it does not), the report does not explain what the other 71% of students stated in the survey about how long they were in class. The State Auditor should at minimum give Highlands credit for the 71 percent of students who were there during a longer portion of the school day,

rather than giving zero credit based on the attendance that just 29% of students claimed. The surveys in the report reveal that most students claimed that they were there for the required period of time even under the State Auditor's interpretation of the requirements. (11)

Additionally, State Auditor observations from the 2024-2025 year alone cannot logically support conclusions about prior years regarding how many students were present and for how much of the day. Different teachers, different classes and different students were involved each school year. Your surveys demonstrated that more than 70 percent of teachers surveyed were not employed during most of the audit period. The demographics of the student body also shifted during this period to include more immigrant students, which may also have impacted attendance surveys because they have different needs and support than a local student that has extended family to provide childcare or take care of a sick child, for example. Moreover, if it was reasonable for the State Auditor to use the Auditor's in-person observations during the 2024-2025 school year to support reductions in ADA in prior fiscal years (and it is not), the Auditor at minimum would then logically be required to also consider what average daily attendance Highlands can prove for the school year of the observations (prior to making changes) and apply that rationale backward to approximate the average daily attendance earned in prior years. The Auditor has only considered classroom observations as a means of justifying that Highlands failed to meet the criteria for claiming ADA without calculating what those same classroom observations would prove in terms of ADA claims that ***can*** be supported.

As is typical in public schools, Highlands has maintained a practice of taking attendance only once daily. As a result, no records exist that would determine exactly how long each student attended each class during prior school years. Because the actual length of time that each student attended each class session is impossible to calculate, it makes more sense to attempt to approximate what the average daily attendance would be, rather than jumping to the illogical conclusion that it is zero, especially when prior independent audit reports had no findings pertaining to state apportionment. (12)

ii. Highlands Actually Did Implement Strategies to Affirmatively Improve Student Attendance

While the draft audit report suggests that Highlands could have implemented punitive consequences for its students to enforce attendance requirements, this fails to acknowledge the realities of Highlands' student population and the factors that may actually help students improve their attendance. It is inaccurate to suggest that Highlands made no efforts to affirmatively attempt to increase school attendance for its all-adult students. In fact, Highlands has a Student Intervention Team which utilizes the student information system to identify students who are chronically absent or identified by their school counselor. This team then reaches out to those high-risk students and develops a system and tier of supports to help ensure their needs are met. These supports have included, but are not limited to, transportation, food distribution, clothing distribution, housing assistance, access to public assistance, and mental health services. (2)

Affirmatively addressing barriers to school attendance is a more effective approach for this vulnerable student population, compared to punitive measures such as decreasing grades. For

Highlands students who have struggled with attendance, the reasons for this are more often matters of survival for the students and their families, such as ensuring that children and other family members are safe and have food to eat. If a student is struggling with attendance for these reasons, threatening to lower the student's grade if attendance does not improve is unlikely to make a difference. Highlands should not be penalized for utilizing an approach to attendance that is tailored toward enabling its specific student population to stay in school. ②

iii. Education Code section 47612.5(d) Provides that, if a Charter School Slips Below 80% In-Person Attendance During the School Year, It Does Not Need to Seek a Funding Determination by the State Board of Education Until it Seeks to Renew its Charter ⑬

If a charter school, in a given year, ends up offering less than 80% in-person instruction, the result under the Education Code is not to immediately zero out the charter school's apportionment, nor is the charter school immediately required to seek a funding determination when this occurs.

Then, Ed. Code, § 47612.5(d)(3) states:

> A charter school that offers nonclassroom-based instruction in excess of the amount authorized by paragraph (1) of subdivision (e) is subject to the determination for funding requirement of Section 47634.2 to receive funding **each time its charter is renewed or materially revised pursuant to Section 47607**. A charter school that materially revises its charter to offer nonclassroom-based instruction in excess of the amount authorized by paragraph (1) of subdivision (e) is subject to the determination for funding requirement of Section 47634.2. (*emphasis added*).

Thus, it appears that the legislature intended that a charter school does not need to seek a funding determination by the State Board of Education until it seeks to renew its charter, even if it slips below the 80% classroom-based instruction requirement at some point during the school year. This is not considered in the State Auditor's analysis.

Further, the definition of classroom-based instruction under the California Education Code is set forth in Ed. Code, § 47612.5(e)(1) as "when charter school pupils are engaged in educational activities required of those pupils and are under the immediate supervision and control of an employee of the charter school who possesses a valid certification document registered as required by law." In the case of Highlands, no oversight agency has found that Highlands was not a classroom-based charter.

E. California Law Does Not Specifically Prohibit an Individual with an Adult Education Teaching Credential from Teaching Exclusively Adults at a K-12 Charter School

The policy of the California Commission on Teacher Credentialing (CTC), as explained on its website, is that an adult education teaching credential may not be used to teach at "traditional K-12 public schools." The State Auditor has taken the position that this policy should apply at Highlands, which is a K-12 charter school. However, this issue is more complicated because the CTC's policy on this point does not appear to have gone through the required process under the California Administrative Procedure Act ("APA"), and there is no clear definition of "traditional K-12 public schools" in the laws and regulations. The result is confusion about what the policy would be for a decidedly non-traditional, all-adult K-12 charter school like Highlands, which provides instruction exclusively in partnership with the federal Workforce Innovation and Opportunity Act, and is exempt from much of the laws applicable to regular public schools under the Education Code's mega waiver (Ed. Code Section 47610). Further, even if the CTC policy statement had satisfied the APA (which it does not), it is our understanding that the policy statement on the CTC website was added in 2025, and if so it cannot in any way be used to support a requirement that Highlands comply in prior years that are the subject of the audit. (14)

i. Highlands Community Charter School Has an All-Adult Student Population and a Program that Differs from the Traditional K-12 Model

Highlands is an all-adult K-12 charter school with a specific exemption under Education Code section 47612.1 to the normal age requirements imposed upon ordinary K-12 public schools. Highlands' students are, by design, exclusively adults, many of whom are immigrants to the United States who are attending the school to learn English and pursue a high school diploma or equivalent, while at the same time gaining valuable career skills to become productive citizens of California. The large majority of teachers at Highlands possess an adult education teaching credential issued by the California Commission on Teacher Credentialing -- not a single subject teaching credential or multiple-subject teaching credential, which would typically be required to teach at a traditional K-12 site. Importantly, the adult education credential is designed to specifically train teachers to educate adults, which is the exclusive population this school serves. It would be both counterintuitive and counterproductive public policy to require Highlands to now switch to teachers trained to educate children when the school serves no children (though Highlands has agreed to make this change).

ii. The Commission on Teacher Credentialing Policy Regarding Adult Education Credentials, As Stated on the Agency's Website, Is Not Reflected in the Laws and Regulations on the Topic

The CTC's website[1] states that teachers with adult education credentials cannot teach in traditional K-12 schools, including charter schools. However, the CTC specifically uses the phrase that the credential "does not authorize the holder to provide instruction in traditional K-12 public schools, as defined by the California Department of Education, including charter schools." Logically, Highlands would not be a "traditional K-12 public school" given 1) its program that

[1] According to the CTC website, all of the contents of the CTC's "Administrative Assignment Manual" (about which credentials qualify for which assignments) are now in the Assignment Resources webpages.

exclusively serves adults 2) the school serves a wide range of ages, personal background, and countries of origin of its all-adult students and 3) adult, career-focused educational programs through the Workforce Innovation and Opportunity Act do not mirror the curriculum of any "traditional K-12 public school" in the state, charter or not.

The CTC defines different credential types in the California Code of Regulations, and describes the "Designated Subjects Adult Education Teaching Credentials and Programs" in 5 CCR sec. 80034. Nothing in this regulation specifies that such a credential may not be used to teach at a "traditional K-12 public school," let alone a non-traditional school like Highlands. Further, 5 CCR sec. 80034 states specifically that a designated subjects adult education teaching credential can be used to teach "elementary and secondary basic skills," which is exactly what the Highlands program teaches. 5 CCR sec. 80036 outlines the requirements for and authorization of the "Full-Time Designated Subjects Preliminary and Clear Adult Education Teaching Credential." 5 CCR sec. 80036, subsection (d), states: "(d) Authorization. The preliminary or clear full-time adult education teaching credential authorizes the holder to teach the subjects named on the credential as specified in Section 80036.3 in courses organized primarily for adults." This would describe perfectly the courses for adults at Highlands. This regulation does not contain a specific prohibition of using such a credential at a K-12 public school, or "traditional" K-12 public school for that matter. There are zero legal cases applying 5 CCR sec. 80036, so no court has ruled on this question. Moreover, the language on the CTC's website is wholly unsupported and in fact contradicted by the officially adopted regulations above.

(15) *iii. The CTC Must Follow the Process Outlined in the Administrative Procedure Act in Order to Adopt Regulations Limiting the Scope of Adult Education Teaching Credentials*

Before a California government agency (like the CTC) adopts a regulation, it must engage in a specific process outlined in the APA. This process includes making a copy of the exact language of the proposed regulation available to the public, issuing a statement of the specific purpose of the regulation including anticipated benefits, conducting an analysis of the economic or regulatory impact of the proposed policy, providing a description of reasonable alternatives to the regulation and reasons those were rejected, providing any evidence, documents or testimony supporting the proposed regulation, and other steps. *See* Gov. Code, § 11346.2. The agency must provide all of these items to the Office of Administrative Law (OAL). Then, there must be a public comment process and OAL has final authority to approve or deny the proposed regulation. *See* Gov. Code, § 11346.8. These are the "basic minimum procedural requirements" for agency rulemaking. *See* Gov. Code, § 11346 (a).

A government agency like the Commission on Teacher Credentialing may not simply make up a rule, put it on the website, and begin enforcing the rule against educators or schools (doing so is considered "underground rulemaking" and a violation of the APA). The CTC must go through the APA process first in order for its rules to apply. Additionally, the CTC may not make a rule that violates an existing California law, such as an Education Code section, even if the CTC tries to go through the APA process before doing so.

There is no indication that the CTC went through the required APA process in order to adopt its rule that an adult education credential "does not authorize the holder to provide instruction in traditional K-12 public schools, as defined by the California Department of Education, including charter schools." Websites alone do not amount to legally-sound regulations for purposes of the Administrative Procedure Act (APA). (California Government Code sections 11340 et seq.). If the CTC wishes to adopt a regulation defining "traditional K-12 public schools" as including an all-adult charter school, or wishes to adopt a regulation that adult education teaching credentials may not be used to teach at "traditional K-12 public schools," it would need to go through the process outlined in the APA first.

As a result, the State Auditor should not view the CTC's position, as articulated on its website or described by CTC staff, as carrying the weight of binding legal authority. The draft audit report takes for granted that the CTC's guidance accurately reflects the state of the law, and it does not. (14)

iv. The California Department of Education Definitions of Relevant Terms Do Not Include a Definition of "Traditional K-12 Public Schools"

Even assuming the CTC's website language carried the force of law (and it does not), based on the CTC's stated position, the California Department of Education (CDE)'s definition of "traditional K-12 public schools" would control. Therefore, if the CTC's policy on its website was an accurate reflection of the law, then actual adopted regulations endorsed by the CDE would provide the definition. The CDE also has to follow the APA process before making rules. The California Code of Regulations, linked by the CDE on its website, has regulations on the topic of Education under Title 5. CDE's official adopted regulation listing its definitions of terms is 5 CCR sec. 2, which defines "K-12" as "kindergarten and grades 1 through 12" and defines "School" as "a public school maintained for a grade or grades, K-12." There is no definition of "traditional public K-12 school" specifically, however there is a definition of "Regular full-time day school," which is defined as "a school maintained by a school district during the day, as distinguished from evening or night, for not less than 175 days during the fiscal year and for not less than the minimum school day established by or pursuant to law." Combining these terms, according to adopted CDE regulations, a "Regular full-time K-12 day school" would have the following qualities:

- Be a public school maintained for a grade or grades, kindergarten and grades 1-12; and
- Be maintained during the day as distinguished from evening or night, for not less than 175 days during the fiscal year and for not less than the minimum school day established by or pursuant to law.

Highlands does not meet all of these criteria for a "Regular full-time K-12 day school." It offers night classes, for example. The CTC has specified on its website that it defers to the CDE for its definition. The CDE does not define the phrase "traditional K-12 public school" through any regulations it has adopted.

Further complicating the issue, the CDE has its own definitions page on its website, which does not contain a specific definition for "traditional K-12 public school" either. It does define "public school" as "a kindergarten through grade twelve and/or adult educational institution" that meets certain specific criteria (see list on website). The definition of "public school" here explicitly includes an adult educational institution as fitting in this category. The CTC does not contest that an adult education teaching credential could be used to teach at an adult education institution. Additionally, the phrase "and/or" in the CDE's definition suggests that a school could be both "kindergarten through grade twelve" and an "adult educational institution." Even assuming the CDE website governs this issue (and it does not), this, at minimum, creates confusion about the CDE's position on the issue in question. Further, this also does not address the issue of what a "traditional" or "regular" K-12 public school would be.

v. The California Education Code Definitions Sections Do Not Contain a Definition for "Traditional K-12 Public Schools" or Specifically Prohibit Using an Adult Education Credential to Teach at a Non-Traditional, All-Adult K-12 Public School.

The California Education Code also does not appear to include a definition of "traditional K-12 public schools" in particular. The Education Code has its own definitions article (Article 7). Education Code sections 70-97, "Definitions," does not include a definition of "traditional K-12 public schools." The phrases "regular k-12," "regular K-12," "traditional k-12" or "traditional K-12" do not seem to appear in the Education Code at all, based on a Westlaw (legal database) search for the terms.

The following are other definitions provided by the Education Code, some of which are relevant but none of which is exactly on point to the definition of "traditional K-12 public school." Education Code sec. 50 states "The public schools other than those supported exclusively by the state, are day and evening elementary, and day and evening secondary schools." Education Code sec. 52 states "The secondary schools of the state are designated as high schools, technical schools, and adult schools." Education Code sec. 52500.1 governs adult schools, and subsection (a) provides, "Adult schools shall consist of programs, courses, and classes for adults" and allows for minors to be admitted to these programs under certain parameters.

The California Education Code does issue the Commission on Teacher Credentialing authority to "[d]etermine the scope and authorization of credentials to ensure competence in teaching and other educational services, and establish sanctions for the misuse of credentials and the misassignment of credential holders." *See* Education Code sec. 44225. The same law, however, also states that the CTC is to use its authority to "reduce and streamline the credential system to ensure teacher competence in the subject field or fields, while allowing greater flexibility in staffing local schools." *See id.* The Commission on Teacher Credentialing may not overstep the California legislature in its determinations regarding the scope of certain credentials.

California Education Code section 44865 states, "A valid teaching credential issued by the State Board or the Commission on Teacher Credentialing, based on a bachelor's degree, student teaching, and special fitness to perform, shall be deemed qualifying for assignment as a teacher

in the following assignments, provided that the assignment of a teacher to a position for which qualifications are prescribed by this section shall be made only with the consent of the teacher: … (b) Classes organized primarily for adults." An adult education teaching credential is exactly this type of "valid teaching credential." California Education Code section 44865 does not specifically exclude k-12 charter schools as sites where "Classes organized primarily for adults" may be taught. If the Legislature wanted to limit the scope of section 44865 to exclude all-adult K-12 charter schools, it could have done so. Instead, the statute determines the particular credential needed based on the student population for which the classes are organized.

Courts have interpreted section 44865 as expanding the pool of credentialed teachers who are authorized to teach and can be assigned to the types of schools specified in the statute. *See Bledsoe v. Biggs Unified School Dist.* (2008) 170 Cal.App.4th 127, 136, *as modified on denial of reh'g* (*Jan. 12, 2009*); *see also California Teachers' Assn v. Governing Board* (1983) 141 Cal.App.3d 606. In *Bledsoe v. Biggs Unified School District*, the court rejected a school district's claim that a teacher was not qualified to teach at a community day school. *See id.* at 137. There is no published case law interpreting section 44865 as inapplicable to an all-adult K-12 context. This statute and case law would lead administrators of such a school to reasonably believe that they could hire educators with adult education teaching credentials to teach their all-adult classes.

vi. Highlands Community Charter School Should Not Be Penalized for Failing to Adhere to a Policy that Does Not Appear in Any Official Law or Regulation

There is no clear, lawfully adopted regulation or law specifying that an educator with only an adult education teaching credential may not teach exclusively adults at an all-adult K-12 public charter school. Highlands is also unique enough that it fails to meet a common sense understanding of what a "traditional K-12 public school" would be, especially given the all-adult student population. It is genuinely counterintuitive and against public policy to suggest that a person with an adult education teaching credential may not teach an all-adult group of students.

The CTC also has not complied with the required APA process in order to adopt an official regulation stating that an adult education teaching credential does not authorize teaching at "traditional K-12 public schools" in the first place, regardless of what the definition of the phrase may entail. The actual adopted regulation regarding adult education teaching credential use, 5 CCR sec. 80036 (d), specifically authorizes teaching "courses organized primarily for adults" and makes no mention of the type of school at which those courses are taught. Education Code section 44865 also authorizes teaching "[c]lasses organized primarily for adults" and is similarly silent on whether or not those classes may be taught at a K-12 school.

Given this, it is entirely reasonable for Highlands to have retained educators with adult education teaching credentials to teach the school's classes, organized not just primarily but exclusively for adults. The plain language of the California Education Code does not disallow this practice, nor do any of the official regulations on the topic. Additionally, it benefits the all-adult students at Highlands to be taught by individuals with adult education teaching credentials who are trained

and experienced at teaching adults. The finding that Highlands cannot hold classes taught by individuals with an adult education credential in the draft audit report would require Highlands to terminate these teachers, who are well-suited to the Highlands program, and replace them with educators whose teaching experience is almost certainly going to be largely teaching children. Doing so does not serve the interests of the adult students at Highlands, or the hundreds of talented adult education credential holders who will lose their jobs as a result of the audit's conclusion.

Given that Highlands is uncertain whether it can persuade the State Auditor of these issues, the school was already left no choice but to provide layoff notices to more than 600 employees. It is our sincere hope that the State Auditor will reconsider its findings based on the statutory and regulatory authority provided above so that Highlands can rescind these layoff notices.

Further, during all of the school years at issue, a portion of the teachers at Highlands possessed valid single subject or multiple subject teaching credentials just like teachers would at a traditional K-12 public school. As of spring 2025, approximately 70 teachers at Highlands possess such credentials. Even assuming that a single subject teaching credential, multiple subject teaching credential, or other credential typically seen at a traditional K-12 public school is required to teach at an all-adult K-12 school (and it is not), Highlands has met this standard with at least some of the teachers it has employed.

II. The Draft Audit Report Fails to Comply with the Government Auditing Standards of the Comptroller General of the United States

The California State Auditor derives its authority from California Government Code section 8546 et seq. Government Code section 8546.1 (c) states, "The California State Auditor shall complete any audit in a timely manner and pursuant to the 'Government Auditing Standards' published by the Comptroller General of the United States." Gov. Code, § 8546.1. In the case of
(16) Highlands, the draft audit report fails to comply with multiple of the U.S. Comptroller General's auditing standards in its methodology.

(17) The 2024 Government Auditing Standards of the U.S. Comptroller General, called the "Yellow Book," sets forth these auditing standards. Chapter 8.90 of the "Yellow Book" states, "Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for addressing the audit objectives and supporting their findings and conclusions." Chapter 8.102 of the "Yellow Book" states, "Appropriateness is the measure of the quality of evidence that encompasses the relevance, validity, and reliability of evidence used for addressing the audit objectives and supporting findings and conclusions." Chapter 8.102 (b) explains, "Validity refers to the extent to which evidence is a meaningful or reasonable basis for measuring what is being evaluated."

(1) Here, the draft audit report fails to meet the validity requirement for the evidence it uses to support its conclusion that Highlands has earned 0% apportionment based on attendance. The report claims to assess the attendance of students at Highlands over multiple years. However, the report bases its conclusion on the Auditor's limited observations during a single school year and surveys of teachers that were largely different individuals than the teachers who taught in the

audit period. This is not a "meaningful or reasonable basis" for making conclusions about the attendance in prior years. The Auditor should have incorporated additional evidence in an attempt to calculate the likely average for the years in question, rather than drawing broad conclusions about past years based on limited data involving different students, teachers, and circumstances.

The "Yellow Book" also contains requirements for the overall assessment of evidence in a government audit. "Yellow Book" Chapter 8.109 states, "When assessing the overall sufficiency and appropriateness of evidence, auditors should evaluate the expected significance of evidence to the audit objectives, findings, and conclusions; available corroborating evidence; and the level of audit risk." Chapter 8.115 states:

> Additional procedures that could address limitations or uncertainties in evidence that are significant to the audit findings and conclusions include
>
> a. seeking independent, corroborating evidence from other sources;
>
> b. redefining the audit objectives or the audit scope to eliminate the need to use the evidence;
>
> c. presenting the findings and conclusions so that the supporting evidence is sufficient and appropriate and describing in the report the limitations or uncertainties with the validity or reliability of the evidence, if such disclosure is necessary to avoid misleading the report users about the findings or conclusions; and
>
> d. determining whether to report the limitations or uncertainties as a finding, including any related significant internal control deficiencies.

In the instant case, the draft audit report failed to consider or incorporate any available corroborating evidence regarding attendance that did occur at Highlands during the relevant school years. The State Auditor failed to seek additional evidence from Highlands that may tend to confirm higher levels of attendance in previous years constituting the audit period. The draft audit report based its 0% apportionment finding in part on a survey where just 29% of students reported being present for a relatively small portion of the school day, for example, without factoring the responses of the remaining 71% of students. (1)

Evidence, both in the Auditor's possession and otherwise accessible to the Auditor, exists to substantiate that a number of students would have attended class for at least 80% of the school day on many occasions. While the exact attendance numbers may be difficult or costly to quantify at this time, it is possible to attempt an accurate estimate. Instead, the draft audit report concludes that apportionment for attendance for the relevant time period should be 0%, when 0% is demonstrably an incorrect number. This decision to disregard relevant corroborating evidence (10)

violates the U.S. Comptroller General's instructions regarding assessment of the sufficiency and appropriateness of evidence used in an audit. At minimum, the draft audit report also should have acknowledged the limitations of the evidence rather than drawing a conclusion of 0%, which the available evidence did not support.

Before issuing the final report, the State Auditor is required to obtain the views of responsible officials and incorporate those views into the report. This requirement is set forth in "Yellow Book" Chapter 9. "Yellow Book" Chapter 9.50-52 states:

> 9.50 Auditors should obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations in the audit report, as well as any planned corrective actions.
>
> 9.51 When auditors receive written comments from the responsible officials, they should include in their report a copy of the officials' written comments or a summary of the comments received. When the responsible officials provide oral comments only, auditors should prepare a summary of the oral comments, provide a copy of the summary to the responsible officials to verify that the comments are accurately represented, and include the summary in their report.
>
> 9.52 When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement. Conversely, the auditors should modify their report as necessary if they find the comments valid and supported by sufficient, appropriate evidence.

⑱ The State Auditor needs to go through this process and incorporate the statements of any responsible officials at Highlands into its report, including the required analysis if those statements conflict with the Auditor's findings.

⑲ **III. Highlands Has Substantially Complied with the Laws and Regulations Regarding Credentialing and Attendance**

The draft audit report's recommendations are also excessively punitive because Highlands has demonstrated that even under the most extreme and negative interpretation of all relevant statutes and regulations, Highlands has substantially complied with those interpretations of the laws and regulations regarding credentialing and attendance.

Under California law, "'Substantial compliance' means actual compliance in respect to the substance essential to every reasonable objective of the statute, as distinguished from mere technical imperfections of form." *People v. Carroll* (2014) 222 Cal.App.4th 1406, 1421. In

People v. Martinez (2005) 132 Cal.App.4th 233, the court analyzed whether a police officer had substantially complied with the knock-notice requirement for a forced entry. The *Martinez* court explained that, when determining substantial compliance, "The essential inquiry is whether under the circumstances the policies underlying the knock-notice requirements were served." *Id.* at 243.

Here, there is no question that Highlands did provide educational programs and services to approximately 13,000 students. Even when a student did not graduate, the student learned English and other job skills that increased their employability and the amount they will make once employed.

Highlands also did serve the underlying policies of the laws, regulations, and guidance around both credentialing and school attendance. For the credentialing question, the underlying policy of the relevant laws and regulations is to ensure that students receive quality education from teachers who are qualified and appropriate to teach them. Highlands served this policy by hiring teachers with adult education credentials to teach its all-adult classes. It would be counter to the underlying policy of the credentialing system to force Highlands to retain only traditional K-12 teachers who are not as direct a fit for this student population and who are not trained to teach adults in their K-12 credentialing program.

For the attendance question, Highlands substantially complied by enacting policies requiring attendance for at least 80% of instructional minutes, keeping track of attendance, and offering the required instructional minutes to students who showed up to learn at the schoolsite.. Highlands also took the extra step of affirmatively addressing barriers to student attendance by actively seeking out students who struggled with attendance and attempting to resolve any socioeconomic causes for this. This is above and beyond what a typical school would offer. And all of Highlands' written policies required the attendance of students at the schoolsite for more than 80% of the instructional minutes.

IV. The Proposed Excessive Penalty Would Result in an Excessive Fine Relative to the Offense (20)

The draft audit report identified almost $180million in apportionment which the Auditor does not believe that Highlands is entitled to. If anything close to this amount is upheld, it would bankrupt Highlands and California Innovative Career Academy and force the closure of these public schools.

A penalty of nearly $180 million for Highlands is excessive when considered in relation to the purported harm caused by Highlands by the alleged statutory shortcomings. Highlands did not cause any actual harm by hiring educators with adult education teaching credentials to teach all-adult classes, nor did it cause any actual harm to the extent that it failed to ensure its adult students were barred from leaving class when they are not subject to truancy laws. Despite this, the penalty for Highlands in this instance is higher than the penalties that the State of California has set forth for some of its most serious crimes.

Additionally, the Charter Schools Act provides for a process for the charter school's authorizing school district to demand that the charter school cure and correct violations of law. The purpose of these cure and correct provisions is to avoid the very sort of extreme penalties that this report would exact. Here, the Twin Rivers Unified School District has already demanded that Highlands comply with the findings of its own independent audit report and Highlands has not only agreed to do so but also has implemented these changes already. Highlands has also agreed to comply with all of the State Auditor's recommendations, even those not required by law or regulation.

V. If Implemented, the Draft Audit Report's Recommendation for Highlands Could Impact the State's Maintenance of Effort Requirement Under Federal Law

A closure of Highlands or refund of hundreds of millions of dollars could implicate the State's maintenance of effort requirement, and matching requirement, under the Workforce Investment Opportunity Act (WIOA). The State of California has received federal funding through WIOA's program for the operation of Highlands. WIOA has a requirement where states must contribute a specified level of matching funds in order to participate. 29 U.S.C.A. § 3302, subdivision (b), provides, in relevant part:

> In order to receive a grant from the Secretary under section 3291(b) of this title each eligible agency shall provide, for the costs to be incurred by the eligible agency in carrying out the adult education and literacy activities for which the grant is awarded, a non-Federal contribution in an amount that is not less than—
>
> (A) in the case of an eligible agency serving an outlying area, 12 percent of the total amount of funds expended for adult education and literacy activities in the outlying area, except that the Secretary may decrease the amount of funds required under this subparagraph for an eligible agency; and
>
> (B) in the case of an eligible agency serving a State, 25 percent of the total amount of funds expended for adult education and literacy activities in the State.

29 U.S.C.A. § 3302(b). In the case of Highlands, if the State of California decided to follow the draft audit report and take back nearly $200 million worth of funding, the State may then find itself below the required total amount of matching funds it needed to provide in order to have received WIOA funding.

WIOA's maintenance of effort requirement is detailed in 29 U.S.C.A. § 3331, subdivision (b):

> An eligible agency may receive funds under this subchapter for any fiscal year if the Secretary finds that the fiscal effort per student or the aggregate expenditures of such eligible agency for activities under this subchapter, in the second preceding fiscal year, were not less than 90 percent of the fiscal effort per student

> or the aggregate expenditures of such eligible agency for adult education and literacy activities in the third preceding fiscal year.

29 U.S.C.A. § 3331(b). If the State of California decided to follow the draft audit report and take back nearly $200 million worth of funding from Highlands, the State may then also find itself below the required maintenance of effort it needed to provide in order to have received WIOA funding.

VI. Highlands Provides an Important Service to the Community which Outweighs Any Negative Impact of its Deficiencies

Highlands serves a large, underserved immigrant population and is crucial to helping these vulnerable students and their families succeed in their new California communities. Regardless of one's stance on immigration, the United States Government has already decided to welcome these legal immigrants into the country. It benefits not only the immigrant communities, but the rest of our local communities as well, to ensure that these families have a pathway to learn English, access resources, and gain the skills needed to become employable in this country. Education for this community can lift individuals and even whole families out of poverty, reducing reliance on government assistance in the future. Conversely, lack of appropriate educational opportunities can be devastating.

In response to students' needs, Highlands has developed both academic services and student support services. Academically, Highlands has supported students through its Career Success Center, English Language Development Navigators, library and reading services, and Career Technical Education programs and partnerships, as well as many other academic support services. Highlands' student support services include homeless services, a free clothing closet, and a Civics 101: Rights and Responsibilities class presented by the District Attorney's Office. Highlands' Career Success Center ("CSC") was created in the 2015–16 school year to review students' resumes. Over the years, Highlands has provided many services to its students in order to assist them with finding employment. In addition to the Career Success Center, Highlands' support staff has organized workshops and field trips. Highlands' Navigators have focused on communicating with English language learners and providing academic and career support. This program was developed to ensure that all of the students at Highlands have access to all of the community resources, school activities, and support that they need. Navigators help students who are new to English transition into high school and Career Technical Education programs, working one-on-one with students (in their native languages) to address their individual needs.

Highlands' approach has been life-changing for countless students and their families. On May 1, 2025, students and staff members spoke at the Highlands board meeting and pleaded for their school to remain open, following the layoff notices issued to hundreds of teachers (which was a response to the communications from CDE and CTC that were noted in the draft audit report).

Staff and students at the board meeting told stories about Highlands students who would not have received an education at all if Highlands had not been available to them. Some of these include students with young children who have benefitted from Highlands' flexibility for

students who are parenting. Some students would not have been allowed to receive an education at all in their countries of origin. A considerable population of Highlands students escaped to the U.S. from Afghanistan when the Taliban came into power. One Highlands paraeducator, a woman who immigrated from Afghanistan, described:

> As you may know, immigrant families, especially Afghans, are facing a terrible crisis back home. We are banned from schools, jobs, and basic rights. Many of us have come to the United States to build a better life … This school has been a place where we feel seen, respected, and supported … If this school closes, it is just a job I lose, my community will lose a lifeline, Afghan women will lose a safe space to heal, learn, and rebuild.

Many students who attended Highlands have gone on to work there themselves, helping give students the same opportunity they were given to improve their lives. Highlands administrative assistant and former student Cynthia Winters spoke at the board meeting about what Highlands means to her:

> I stand before you not only as a staff member but as a living testament to the mission and impact of this institution. I am a former student, and today I am a high school graduate, a college graduate, and an empowered contributing member of our society. This transformation is directly due to the patience, guidance, persistence, and compassion I received from this school. Highlands has long stood as this pillar of hope for individuals who have lost faith in themselves, in their dreams, and in their communities … the school taught me how to believe in myself when I had every reason not to … now we face challenges that risk undermining the very soul of what Highlands represents … I stand here before you today, and I will continue to stand up, speak out, and defend the school that transformed me from a homeless, single mother of eight to a woman of strength, dignity, and purpose.

The students were not at fault for the deficiencies, but they will suffer the most if the school is forced to shut down. In similar situations in other contexts, government actors have stepped up to ensure that consumers are not harmed in the effort to hold entities accountable for faulty management. For example, students at certain for-profit colleges have suffered due to misleading marketing tactics by these institutions about career prospects following graduation. As a result, numerous students who attended these for-profit colleges graduated with significant debt and no meaningful way to pay it back. Instead of just letting these students suffer due to the mistakes of administrators, the Department of Education forgave $40 million in student loan debt held by the students. Even in the case of misconduct by for-profit colleges, the government did not simply seek to bankrupt the schools while leaving students with nowhere to turn.

No similar lifeline exists for the Highlands students, who stand to lose their school community as well as their only meaningful connection to necessary services in the U.S. What Highlands has built for this recent immigrant population cannot be replaced with money alone. Highlands has a

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skilled, experienced, and trusted network of employees who have worked with these communities and know how to help them succeed. A comparable program to what Highlands offers does not exist. For example, in the Sacramento area, there is not enough capacity at the adult schools to serve the students from the Highlands sites in the area. If the State of California wants to hold former administrators accountable for their decisions while working at Highlands or wants to hold oversight agencies responsible for not providing appropriate oversight, it can do so without closing Highlands.

VII. Conclusion

The nearly $180 million penalty that the draft audit report recommends for Highlands would bankrupt Highlands if it is upheld and would almost certainly force the schools to close. This would result in hundreds of educators losing their jobs, as well as approximately 9,000 students losing their school community and support system. As expressly authorized by law and supported by the Legislature, Highlands has taken a unique approach to serving an underserved population of adult immigrants to the United States who seek to get a high school diploma and learn skills to help them thrive in American communities. Highlands has educated and launched the careers of hundreds of students who went on to support their families and lead productive lives in this country. Many of these students have gone on to become educators themselves.

Highlands has adopted dozens of changes to policies and procedures to change its operations and ensure better educational and financial results going forward. The devastation of an outright closure of this impactful charter school would outweigh any good that would come from this method of enforcement of underground regulations not properly approved through the APA or with inapplicable laws designed to prevent truancy in children. The amount of the total penalty should be adjusted to account for the ambiguity in credentialing law and the guidance Highlands received, and Highlands' compliance (or at bare minimum substantial compliance) with the underlying public policies involved. At bare minimum, in the event that a funding loss is identified, we believe that the State Auditor is required to only identify a proportional reduction in funding as provided by law.

Sincerely,

LAW OFFICES OF YOUNG, MINNEY & CORR, LLP

Jerry Simmons

Jerry Simmons
ATTORNEYS AT LAW

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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE LAW OFFICES OF YOUNG, MINNEY, AND CORR, LLP

To provide clarity and perspective, we are commenting on the response to our audit report from Highlands' legal counsel, the Law Offices of Young, Minney, and Corr, LLP. The numbers below correspond with the numbers we have placed in the margin of Highlands' counsel's response.

Highlands' legal counsel selectively ignores much of the evidence the audit team collected over the course of the audit in statements throughout its response that the report extrapolates issues from a small sample or set of data. We based our conclusions not on a single source of evidence, but on all of the evidence taken as a whole. This evidence includes interviews with Highlands' executive management, its available training materials and policies, surveys of current and former employees and students, classroom observations, and discussions with teachers in the classroom. Throughout the audit, none of the evidence from these sources, including from Highlands' executive director, indicated that Highlands operates differently than we present in the report. Therefore, we stand by our conclusion on page 16 that HCCS was not eligible to receive the $104.6 million in K–12 funding it received in fiscal year 2023–24 and likewise was ineligible to receive $72.7 million in fiscal year 2022–23. (1)

Highlands' legal counsel asserts that the audit report interprets the law in a manner that creates a new legal requirement that a charter school must academically sanction students for nonattendance in order to demonstrate that it is requiring the legally mandated amount of attendance. However, this mischaracterizes our description of the law. As stated on page 13 of the report, state law requires charter schools to require the attendance of students at the schoolsite for at least 80 percent of the minimum instructional time required by law as a condition of receiving K–12 funding for classroom-based instruction. In the audit report, we note that Highlands lacked policies related to consequences for students' failure to attend, which we determined was relevant to the question of whether students were actually required to attend. However, this is just one factor that we considered in determining that Highlands did not meet the 80 percent attendance requirement for its classroom-based school, HCCS. As we explain on page 14, we also based our conclusion on our observations of classes, instructors' statements that the majority of the class day was optional, and Highlands' executive director's confirmation that students have not been required to attend for 80 percent of the offered instructional minutes because the previous administration focused on enrollment and not attendance. The audit report does not assert that Highlands must academically sanction students for nonattendance in order to meet the 80 percent attendance requirement. (2)

Highlands' counsel presents an incomplete description of the applicable law. State law imposes the 80 percent attendance requirement for purposes of calculating average daily attendance for classroom-based instruction apportionments. This means that a charter school cannot include a student's classroom-based attendance in its ADA calculation, or receive the corresponding K–12 funding, if it does not meet this 80 percent attendance requirement. Therefore, a school's eligibility for (3)

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funding for classroom-based instruction depends on its compliance with this 80 percent attendance requirement, which, as we note on page 14 of the report, HCCS did not meet.

④ We agree that HCCS cannot *force* all students to physically attend its classes. Instead, the audit report explains on page 13 that the law directs a charter school to *require* students to attend onsite for 80 percent of the required instructional minutes in order to receive funding for classroom-based instruction. In other words, Highlands' practices should be consistent with a requirement of attendance, even if it cannot guarantee the full attendance of every student. However, as we state on page 13, in our observations of HCCS classes, we witnessed students entering and leaving class at various times, with no instructor attempting to enforce a requirement for attendance. While we found this fact to be relevant to the question of whether an attendance requirement actually existed, we base our conclusion on several factors, including Highlands' confirmation on page 14 that students have not been required to attend for 80 percent of the offered instructional minutes. Therefore, we stand by our conclusion that HCCS did not meet the 80 percent attendance requirement.

⑤ Highlands' counsel misconstrues the audit report—we do not contend that HCCS' apportionment should be zero if the school fails to meet the instructional minutes requirements. In fact, page 12 of our report states that HCCS' calendars and bell schedules contain enough minutes over the course of its academic year to offer the amount of instructional time required by law. Our conclusion regarding HCCS' ineligibility for K–12 funding instead rests on the school's failure to meet requirements relating to its mode of instruction, as we explain on page 11.

⑥ Highlands' legal counsel's assertion that the audit evaluates Highlands based on students' reports of the percentage of a single day the students attended is incorrect. As we state on page 14, our survey asked students how many hours per day students attended classes in person at Highlands on average. Further, we compared several sources of information about how much instructional time Highlands offered at the schoolsite in the context of HCCS' calendars and bell schedules, as discussed above.

⑦ Highlands' legal counsel's response states: "It is our belief that most charter schools have interpreted the 'require' language in 47612.5 to mean that the charter school cannot approve a classroom-based student schedule with optional course or that would result in the student being off-site for more than 20 percent of the time, unless a particular exception applies." While Highlands' student schedules may not indicate that any portion of the school day is optional, we obtained evidence that more than half of a typical school day is optional. This fact was confirmed by our interviews of instructors and executive management. Moreover, we determined that HCCS offers nonclassroom-based instruction at a rate that exceeds 20 percent of the school's total instructional time, as we describe on pages 13 and 14. Accordingly, we concluded that even though HCCS' student schedules may appear to reflect the appropriate amount of onsite instruction and attendance, this was not the actual practice of the school. Highlands' legal counsel does not identify, nor are we aware of, any particular exception that would exempt HCCS from the 80 percent attendance requirement. Therefore, our understanding and application of this requirement is consistent with the interpretation of the law that Highlands' counsel describes.

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Our report notes on page 14 that some HCCS students signed in to class and then immediately left. However, we do not conclude that HCCS was legally barred from reporting attendance for this reason. Rather, we conclude that HCCS was ineligible for K–12 funding because it failed to meet requirements relating to its mode of instruction, which we detail beginning on page 11. (8)

On page 15, our report acknowledges that compulsory education laws do not apply to adult students, and therefore these students do not face the same legal consequences for failure to attend that minor students do. Nevertheless, because HCCS receives K–12 funding, it must comply with the legal requirements that apply to that funding, unless a specific exception applies. As we note on page 16, the 80 percent attendance requirement does not contain an exception for adult students. Therefore, despite the different policy concerns relating to adult and minor students, HCCS must comply with the 80 percent attendance requirement in order to be eligible for funding for classroom-based instruction for those students. (9)

Highlands' legal counsel's unsupported assertion that some students would have attended the whole class period or at least 80 percent of the school day ignores our finding that Highlands did not offer in-class instruction for HCCS' whole class periods. On pages 12 through 14, we describe our observations that teachers lectured for only two to three hours of the scheduled six hour day, and did not require students to remain in attendance after that point. (10)

Highlands' legal counsel's reference to the survey responses we received from HCCS students demonstrates a misunderstanding of one of the two key conditions of funding we determined Highlands failed to meet. As we state on page 14 of the report, our survey of current and former Highlands students generated responses from 29 percent of students indicating that they attended classes for only one to two hours per day. We cite these results as one piece of the evidence we collected indicating that Highlands does not require its students to attend class for any specific amount of time. The survey responses, included as Appendix B, indicated 54 percent of students attended between three and five hours of the six hour school day. The survey also indicated that some students attended for less than an hour per day, and further showed that half of students attended less than five days per week. We cite the survey results not in an attempt to determine the average daily attendance, as Highlands' legal counsel seems to believe, but because the variance in student responses demonstrates that Highlands has made it optional for its students to attend. Thus, we stand by our conclusion on page 14 that by not requiring students to attend class for a sufficient amount of time, Highlands does not meet a second key requirement of receiving funding for classroom-based instruction. (11)

We are basing our conclusion regarding HCCS' eligibility for funding on the school's practice of making the majority of the school day optional, among other factors. Therefore, we do not think that a student's decision to stay in class during the optional portion of the day impacts whether the school has met the requirements of funding for classroom-based instruction. (12)

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⑬ Highlands' counsel points out that the Education Code specifies that a charter school is subject to the determination of funding requirement when its charter is renewed or materially revised. Although the audit report does not describe this procedure, it does not impact our conclusion. According to CDE's regulations, a determination of funding is subject to review each time a material change is made in the school's charter with respect to nonclassroom-based instruction. The regulations define "material change" as "any significant change that affects the level of resources devoted to nonclassroom-based instruction, the courses to be offered through nonclassroom-based instruction, and/or the delivery of educational services to pupils receiving nonclassroom-based instruction. The charter school shall notify the California Department of Education no later than thirty (30) days after the material change is made." Therefore, a shift from classroom-based to nonclassroom-based instruction is a material change that necessitates notification to CDE within 30 days and the review of a determination of funding. Moreover, CDE has published guidance on its website stating that if a charter school does not have an existing determination of funding, but its classroom-based ADA falls below 80 percent, it must have an approved determination of funding from the State Board of Education by January of the fiscal year for which funding is sought in order to receive K–12 funding for nonclassroom-based instruction. We found that HCCS did not have an approved funding determination for either of the 2022–23 or 2023–24 fiscal years, and we stand by our conclusion that it was not eligible for K–12 funding for nonclassroom-based instruction without one.

⑭ As we indicate on page 35 of the report, we consulted with CTC to determine what types of credentials are appropriate for an adult-serving K–12 school. CTC is the state entity with legal authority to make a final determination for all potential assignments and misassignments, and we think that CTC's explanation of the law is reasonable.

⑮ Highlands' counsel's criticisms of CTC's decisionmaking process are misdirected. We are entitled under audit standards to rely on the CTC's guidance. CTC has posted on its website its conclusion that adult education credentials do not authorize the holder to provide instruction in traditional K–12 schools, including charter schools. If Highlands' counsel has issues with procedural matters relating to CTC, those issues are best addressed through other avenues. We note that, even if CTC has not promulgated a regulation on the issue, audit standards still permit us to obtain CTC's perspective and rely upon that perspective when reaching conclusions about matters under CTC's statutory purview.

⑯ Highlands' legal counsel incorrectly states that the draft audit report failed to comply with auditing standards. We conducted this audit in accordance with generally accepted government auditing standards, which we are required to follow, and the California State Auditor's thorough quality control process. In following audit standards, we are required to obtain sufficient and appropriate audit evidence to support our conclusions and recommendations. As with all of our audits, we engaged in extensive research and analysis for this audit to ensure that our report presented a thorough and accurate representation of the facts, and included all relevant information. We stand by the statements in our report, which are based on sufficient and appropriate evidence. Further, as with all of our audits, our public report includes the required statement indicating that we performed this audit in compliance with audit standards.

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For clarity, we point out that Highlands' legal counsel's citations to the 2024 revision of the Government Auditing Standards do not apply to performance audits beginning before December 15, 2025. This audit began on July 11, 2024, and our office is therefore required under state law to conduct the audit under the 2018 revision of the Government Auditing Standards. However, the content of the specific citations Highlands' legal counsel cited generally aligns with similar citations in the 2018 revision of the Government Auditing Standards, which, as we state above, our office followed. (17)

Highlands' legal counsel's implication that the report fails to incorporate the statements of any responsible officials at Highlands is incorrect. The report cites all relevant statements from Highlands officials that Highlands was willing to provide. For example, we cite statements from the executive director and the associate deputy director, on pages 14 and 15 explaining why Highlands has not required the attendance of its HCCS students. No Highlands official we spoke with provided any supportable statement indicating that HCCS met the conditions of funding we found it did not meet. Thus, we stand by the findings and conclusions in our report, including the conclusion on page 16 that HCCS did not meet the requirements of state law and the K–12 audit guide, which both identify the requirement to offer 80 percent of instruction at the schoolsite and require the attendance of students at the schoolsite for at least 80 percent of the required time as conditions of classroom-based funding. (18)

We disagree that Highlands substantially complied with laws relating to school attendance and teacher credentialing. The Education Code defines "substantial compliance" as the "nearly complete satisfaction of all material requirements of a funding program that provide an educational benefit substantially consistent with the program's purpose." Highlands has not met this standard. As discussed above, Highlands is required by state law to require the attendance of its classroom-based students at the schoolsite for 80 percent of the minimum instructional minutes. However, we found that more than half of the typical school day was optional for students, which does not constitute substantial compliance with the legal requirement. With regard to teacher credentialing, state law requires charter school teachers to hold the CTC certificate, permit, or other document required for the teacher's certificated assignment. As we state on page 33, we found that 27 of the 30 teachers we reviewed did not hold the appropriate credential for the classes they taught, which does not constitute substantial compliance with the legal requirement. (19)

We do not recommend that Highlands be fined and our office has no direct enforcement authority. Rather, we assessed Highlands' eligibility for the K–12 funding it received. We determined that HCCS did not meet the K–12 funding requirements specified in law during the 2022–23 and 2023–24 fiscal years and, as we state on page 11, was therefore not eligible for this funding. (20)

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To inspire each student to extraordinary achievement every day

May 27, 2025

U.S. Mail and Email

Grant Parks, California State Auditor*
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

RE: Response to Audit Report 2024-106 Recommendations

Dear Mr. Parks,

Twin Rivers Unified School District ("TRUSD" or "District") has received State Auditor's draft, redacted report regarding Twin Rivers Unified School District and Highlands Community Charter Schools (HCCS) and California Innovative Career Academy (CICA).

As a supporter of the audit request and in our continued effort to improve oversight practices and procedures, TRUSD welcomes recommendations to further that goal. Prior to the initiation of this audit, TRUSD commissioned its own independent audit of HCCS and CICA, the findings of which have been provided to the Auditor's office as well as members of the Joint Legislative Audit Committee. TRUSD has also implemented or begun to implement enhanced oversight procedures, many of which are aligned with the recommendations in this audit.

In accordance with counsel from the Auditor's office, we are submitting responses to the recommendations in the report. TRUSD has also provided relevant, contextual information to expand upon our position associated with each recommendation.

01. Identification of Misassignments

Audit Report Recommendation: "*To ensure that Highlands' students receive a quality education from appropriately credentialed teachers, Twin Rivers should, by December 2025, implement procedures to verify that its charter schools address and resolve identified misassignments within 30 calendar days, as state law requires.*"

The District has consistently satisfied its credential monitoring obligations as outlined by Education Code and the Commission on Teacher Credentialing ("CTC"). The District has policies and procedures for this process, which are governed by the CTC and are strictly followed. ①

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* California State Auditor's comments begin on page 153.

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Education Code 44258.9(a)(1) recognizes the need for continued monitoring of educator assignments by the CTC and the county superintendents of schools to "…ensure that the rate of educator misassignments remains low." Section 44258.9 goes on to outline multiple entities responsible for the monitoring, reporting, and structures regarding how this is carried out.

For the first time since HCCS was established in 2014, on December 23, 2024, the CTC provided the District with direction regarding HCCS' appropriate credential requirements, stating that the District should not review HCCS as an Adult Education program, but rather as a traditional K-12 public school and K-12 credentials were required for HCCS' Adult Education program. Immediately, upon receiving the CTC's guidance, the District notified Highlands Community Charter and Technical Schools ("HCCTS") of this change and provided two options for HCCTS to address the issue.

① The District will continue to follow the CTC's credential monitoring procedures for each of its authorized charter schools, and comply with our obligations under Section 44258.9, and continue to ensure that we follow and update policies and procedures for credential assignment monitoring as outlined by the CTC and the Education Code.

02. State Testing

Audit Report Recommendation: *"To ensure that charter schools it authorizes provide transparency about the quality of education they provide, Twin Rivers should, by December 2025, implement a mechanism in their annual oversight procedures to verify that schools meet the condition of apportionment regarding participation in state testing requirements."*

② The District has met and continues to meet all statutory oversight requirements outlined in the Charter Schools Act of 1992 ("CSA"), as specifically defined in Education Code Section 47604.32. We are proactively addressing recent concerns with HCCTS by thoughtfully implementing oversight measures to ensure their compliance with state testing requirements, including the California Science Test ("CAST") state-mandated assessments under the California Assessment of Student Performance and Progress ("CAASPP") system.

When the District became aware, through our oversight monitoring, that HCCTS was not in compliance with CAST testing requirements, we immediately issued a Notice of Concern directing HCCS and CICA to take corrective action without delay.

③ Consistent with charter authorizer oversight acceptable practices and the Education Code, the District reviews annually the California School Dashboard to monitor each charter school's academic and engagement metrics. Currently, the CAST assessment is not reported on the California School Dashboard. However, the CDE is updating the Dashboard in the upcoming 2025-26 schoolyear to include Science. This update to the Dashboard will also assist districts with compliance monitoring.

The District will continue to monitor the California School Dashboard and the CAASPP website as part of our annual oversight. We are committed to continuous improvement, and have secured consultant contracts with five (5) experts who are supporting us in reviewing and updating our

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oversight policies and procedures, which include monitoring participation in required assessments by charter schools. While the District is cautious about implementing any recommendation which may result in overreaching its authority as outlined by law and evidenced in case law, the District will continue to conduct appropriate oversight in alignment with the CSA and will thoughtfully update procedures in a manner that does not overstep our authority as the authorizing agency. (2)

03. Follow-up on Audit Findings & Recommendations

Audit Report Recommendation: *"To ensure that the schools it authorizes comply with state law and their charters, and that staff and officials are aware of Twin Rivers' expectations in conducting such oversight, by December 2025, Twin Rivers Board and management should create and implement comprehensive policies and procedures that require staff to ensure that the charter schools it authorizes sufficiently address audit findings and recommendations from audits, including reviewing documentation to verify that recommendations are implemented."*

The District has met and continues to meet all statutory oversight requirements outlined in the CSA, as specifically defined in Education Code Section 47604.32. The recommendation to create and implement comprehensive policies and procedures imposes a standard or expectation for charter authorizers beyond what is currently required by the CSA, and therefore not legally enforceable. (2)

This recommendation does not take into account that the District cannot commit to implementing or enforcing the implementation of audit findings and recommendations from annual independent charter school audits without consideration of the legality of those recommendations. While audit recommendations can provide valuable information, the District must ensure that its responses remain within the legal framework established by the Education Code and do not exceed the scope of our authority as charter authorizer.

While the Auditor's recommendation is broad and may exceed requirements under existing law, the District has already updated our policies and procedures for following-up with charter schools regarding annual audit findings and recommendations. Specifically, the District's updated policies and procedures require each finding and recommendation to be evaluated in light of statutory requirements, in collaboration with legal counsel or external expertise, and prioritized, tracked and monitored. This approach honors each finding and recommendation with thorough consideration while preserving the discretion and technical rigor that our charter oversight function requires. We will continue to evaluate the effectiveness of the system and make improvements as identified through our ongoing cycle of continuous improvement.

04. Reviewing and Approving Charter Petitions

Audit Report Recommendation: *"To ensure that the schools it authorizes comply with state law and their charters, and that staff and officials are aware of Twin Rivers' expectations in conducting such oversight, by December 2025, Twin Rivers Board and management should create and implement comprehensive policies and procedures that provide staff with expectations for reviewing and approving new and renewal charter petitions, including what*

constitutes a reasonably comprehensive description in the petition and what documentation staff must provide to the board to demonstrate the adequacy of their review."

② The District has met and continues to meet all statutory oversight requirements outlined in the CSA, as specifically defined in Education Code Section 47604.32. The recommendation to create and implement comprehensive policies and procedures imposes a standard or expectation for charter authorizers beyond what is currently required by the CSA, and therefore not legally enforceable.

④ The District affirms that its current practices, policies and procedures regarding the review and approval of new and renewal petitions are consistent with all legal requirements set forth in the Education Code. Our policies/procedures include, but are not limited to, utilizing petition review rubrics from the Fiscal Crisis and Management Assistance Team ("FCMAT") and/or the California Charter Authorizing Professionals ("CCAP"), assigning the appropriate subject-area experts to review specific portions of a petition, meeting the timelines for petition review as outlined by law, and applicable to renewals, communicating with the charter school regarding any required changes to their petition.

⑤ The District collaborates with legal counsel to ensure that a reasonably comprehensive description of the required elements is included. Legal counsel ensures all charter petitions are
⑥ thoroughly reviewed and evaluated in accordance with legal standards. District staff provides the Board with their recommendations and findings regarding the comprehensive legal review of a charter petition, and any other information needed for the Board to make a determination regarding whether to approve the petition.

The District recognizes the value in enhancing transparency and consistency in its charter authorizing process and will be updating our current policies and procedures regarding the petition review process, as part of our ongoing efforts to improve our processes and maintain consistent practices year to year.

05. Annual Oversight Activities

Audit Report Recommendation: *"To ensure that the schools it authorizes comply with state law and their charters, and that staff and officials are aware of Twin Rivers' expectations in conducting such oversight, by December 2025, Twin Rivers Board and management should create and implement comprehensive policies and procedures that require staff to conduct sufficient charter school oversight activities that align with state guidance and key best practices, and which, for key determinations, do not solely rely upon the annual independent audit or a charter school's assertions. It should also require that the results of this information and a description of the methodology staff used for reviewing the items be summarizes in the annual oversight reports."*

② The District has met and continues to meet all statutory oversight requirements outlined in the CSA, as specifically defined in Education Code Section 47604.32. The recommendation to create and implement comprehensive policies and procedures imposes a standard or expectation

for charter authorizers beyond what is currently required by the CSA, and therefore not legally enforceable.

The expectation described in the Audit Report that the District should conduct a sample audit of a charter school's annual independent audit and the State Controller's Office audit, places the onus on authorizers to address broader failures within the current audit system as evidenced by recently released audits and reports by the State Controller's Office and CCAP. These reports shed light on the issues identified at HCCTS. (7)

In accordance with applicable law, the District relies upon multiple oversight tools, including the annual independent audit, interim financial reports, budget reviews, and formal site visits to determine whether the charter schools have been operating in compliance with state law and their charters. If the independent audit, intended by statute to be a core safeguard against fraud or fiscal impropriety, had performed as designed, it is likely that the concerns now cited by the Auditor would have been identified sooner. This failure underscores systemic shortcomings of the independent audit process itself in this instance

The District believes it is important to raise these broader, systemwide concerns as it is essential that the external oversight mechanisms, we rely on are held to the same standard as the oversight agency itself. We remain committed to continuous improvement and are already in the process of reviewing and updating our oversight processes and procedures. The District has engaged external experts to support the enhancement of our oversight processes. We are currently working with a FCMAT coach, the author of the District-initiated independent Attendance Report Audit, Dennis Snelling, and members of Ryland Strategic Business Consulting, to further assist us in strengthening our oversight practices.

06. Material Revision Requirements

Audit Report Recommendation: *"To ensure that the schools it authorizes comply with state law and their charters, and that staff and officials are aware of Twin Rivers' expectations in conducting such oversight, by December 2025, Twin Rivers Board and management should create and implement comprehensive policies and procedures that require staff to ensure that charter schools obtain approval for material revisions of their charters when charter schools add new school site locations, grade levels, or other material changes described by state law."*

The District has met and continues to meet all statutory oversight requirements outlined in the CSA, as specifically defined in Education Code Section 47604.32. The recommendation to create and implement comprehensive policies and procedures imposes a standard or expectation for charter authorizers beyond what is currently required by the CSA, and therefore not legally enforceable. (2)

In accordance with the Education Code, the District requires all charter schools under its authorization to submit a material revision request when proposing to expand operations to one or more additional sites or grade levels, or seeking other material changes to their charter. In January 2024 the District and HCCTS agreed to amend the parties Memorandum of (8)

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Understanding to expressly require both HCCS and CICA to follow the material revision request process when seeking to add a new location/site.

07. Potential Violations and Notice of Violation

Audit Report Recommendation: *"To ensure that the schools it authorizes comply with state law and their charters, and that staff and officials are aware of Twin Rivers' expectations in conducting such oversight, by December 2025, Twin Rivers Board and management should create and implement comprehensive policies and procedures that outline the specific steps for investigating and resolving potential violations of state law or the charters, including that, upon the determination that a significant violation has occurred, Twin Rivers must provide the charter school with written notice of the violation that could lead to the revocation of a school's charter if not resolved."*

② The District has met and continues to meet all statutory oversight requirements outlined in the CSA, as specifically defined in Education Code Section 47604.32. The recommendation to create and implement comprehensive policies and procedures imposes a standard or expectation for charter authorizers beyond what is currently required by the CSA, and therefore not legally enforceable.

While the term "significant" is subjective and may vary from one authorizer to another, the District remains committed to ongoing improvement and will review and update our policies and procedures to further refine and document our approach for addressing an authorized charter school's potential violation of state law and/or its charter.

08. Tracking Oversight Costs

Audit Report Recommendation: *"To ensure that the schools it authorizes comply with state law and their charters, and that staff and officials are aware of Twin Rivers' expectations in conducting such oversight, by December 2025, Twin Rivers Board and management should create and implement comprehensive policies and procedures that require staff to establish a method for tracking Twin Rivers' actual costs for charter oversight and collect only the oversight and facilities fees allowed in state law."*

The recommendation to create and implement comprehensive policies and procedures that require a strict accounting/tracking of actual oversight cost activities imposes a standard or ⑨ expectation for charter authorizers beyond what is currently required by the CSA, and therefore not legally enforceable.

The District finds the implementation of this recommendation to be impractical, and functionally impossible to implement. Oversight activities, particularly within a complex, full-service school district such as TRUSD, are not the responsibility of a single department or limited group of individuals. The District leadership and management staff who are directly involved in oversight of charter schools alone include a list of more than 20 individuals, in addition to their department personnel and administrative support staff. In addition to personnel costs, the District incurs other oversight-related costs that are similarly impractical to isolate and itemize. Further

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complicating any attempt at fixed time-allocation modeling is the fact that charter oversight activities are not static. They vary year to year based on the charter school's performance, compliance issues, and prior audit or site visit findings.

Allocating a portion of an employee's time on a fixed basis also cannot accurately capture a realistic assessment of time dedicated to charter oversight. At the department level, the personnel who focus on charter oversight varies on an ongoing basis, from administrative to maintenance. The District believes that attempting to do so would create an arbitrary framework that is not grounded in actual cost allocation. Additionally, if this method were adopted and all oversight entities followed this process at a statewide level, it may have an unintended consequence of oversight entities inadvertently overestimating employee resource allocations, thereby creating a justification for an unnecessary increase in charter oversight and facilities fees in the future. Additionally, adjustments in classified employee job descriptions would be required, thereby triggering the renegotiation of bargaining contracts.

While there is no statutory or regulatory requirement for itemized tracking, and no practical method exists to allocate personnel time with precision across a vast network of oversight contributors, the District remains committed to responsible and compliant oversight of the charter schools under its authorization in accordance with current law and welcomes continued dialogue on best practices within a clear and consistent regulatory framework.

As a District, we remain committed to working with our state and county oversight partners and the Legislature to strengthen and improve oversight practices and collaboration among all education agencies.

Sincerely,

Dr. Steve Martinez
Superintendent, Twin Rivers Unified School District

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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM TWIN RIVERS UNIFIED SCHOOL DISTRICT

To provide clarity and perspective, we are commenting on the response to our audit report from Twin Rivers. The numbers below correspond with the numbers we have placed in the margin of Twin Rivers' response.

Twin Rivers' statement that it has consistently satisfied its obligations to monitor educator assignments misleadingly implies that it has been meeting its obligations with regard to Highlands. As we state on page 59, it is the chartering authority's responsibility to advise the charter school to correct any misassignment within 30 days, and Twin Rivers did not do so and stated it was not aware that it needed to. While we are encouraged by the fact that Twin Rivers indicated that it recently began working with Highlands to correct certain misassignments, we stand by our conclusion that Twin Rivers should implement procedures to verify that the charter schools it authorizes address and resolve misassignments within 30 calendar days. (1)

Throughout its response, Twin Rivers repeatedly states that it has met and continues to meet all statutory oversight requirements outlined in the Charter Schools Act of 1992 (Act). However, this statement ignores the fact that Twin Rivers has not fully exercised its legal authority to ensure that Highlands was complying with law, such as by issuing a notice of violation, which we discuss on page 54. Additionally, we found that Twin Rivers failed to implement key best practices for charter school oversight, as shown in Figure 11 on page 51, and did not ensure that Highlands corrected the deficiencies identified by FCMAT in its 2018 audit, as we describe on page 46. (2)

Further, Twin River's assertions that our recommendations are not legally enforceable because they impose a standard or expectation for charter authorizers beyond what is currently required by the Act indicates a fundamental misunderstanding of the intention of this audit and performance audits in general. Our intention is to improve the adequacy of Twin Rivers' oversight overall, which goes beyond determining its compliance with the minimum requirements of law. Our recommendations align with the Act's requirement that chartering authorities conduct oversight of the charter schools they authorize as we outline on page 50 of the report. Given the history of concerns about Highlands stemming from before the 2018 FCMAT report and continuing through the findings of this audit, it is reasonable to recommend that Twin Rivers create and implement policies and procedures to ensure that it effectively carries out its legal responsibilities as well as certain best practices as part of its oversight activities.

Twin Rivers' response that the California School Dashboard does not include CAST assessments avoids responsibility for failing to identify that Highlands did not comply with this legally mandated testing requirement. As we describe on page 43, Twin Rivers explained that it did not verify that Highlands was complying with testing requirements because it depended on the assurance of testing in Highlands' charter and had no indication that the requirements were not being met. However, relying on statements in a school's charter is not adequate oversight to ensure that (3)

schools it authorizes meet this condition of funding. Therefore, we stand by our recommendation on page 66 that Twin Rivers implement a mechanism in its annual oversight procedures to verify that schools meet the conditions of apportionment regarding participating in state testing requirements.

④ Twin Rivers inaccurately claims that it has procedures for the review and approval of new and renewal charter petitions. As we discuss on page 48, Twin Rivers does not have comprehensive procedures for how staff should resolve identified deficiencies in the petitions and whether staff must review supporting documentation in reviewing new or renewal charter petitions. Thus, we stand by our recommendation on page 66 that it create and implement comprehensive policies and procedures to provide staff with expectations for reviewing and approving new and renewal charter petitions.

⑤ Twin Rivers' assertion that its staff and legal counsel ensured that Highlands included reasonably comprehensive descriptions of the required elements in its charter petitions implies incorrectly that it did so for Highlands' schools. As we describe on page 48, Twin Rivers did not require Highlands to include reasonably comprehensive descriptions related to curriculum, content standards, resources, and materials for English Learners, and it did not ensure that Highlands rectified questionable financial projections or its lack of measurable achievement targets related to assessments. Thus we stand by our recommendation on page 66 that Twin Rivers create and implement comprehensive policies that provide staff with expectations for reviewing and approving charter petitions, including what constitutes a reasonable comprehensive description in the petition.

⑥ Twin Rivers' assertion that it provides its board with its findings from a comprehensive legal review and any other information needed for the board to determine whether to approve a charter petition incorrectly implies that it did so for Highlands. As we discuss on pages 48 and 49, Twin Rivers' officials did not provide its board with the specific concerns that needed to be addressed in the CICA petition when it recommended that the board conditionally approve the charter. Moreover, as we discuss on page 49, Twin Rivers' officials provided the board with misleading graduation counts that it labeled as rates to demonstrate that HCCS met the academic performance requirements for renewal. Therefore, we stand by our conclusion on page 49 that Twin Rivers was not transparent with its board about deficiencies in Highlands' charter petitions.

⑦ Twin Rivers falsely asserts that we describe that it should conduct a sample audit of the annual independent audits and the State Controller's Office's audit. As we describe on page 52, for many of the suggested oversight items related to fiscal practices and attendance tracking, Twin Rivers advised that it relied upon the charter schools' annual audits rather than conducting its own oversight. We further describe various discrepancies that we identified within the annual audits, and we highlight that the State Controller's Office also identified problems during a quality control review of Highlands' annual audit for fiscal year 2022–23. We stated on page 52 that Twin Rivers should not rely solely on the annual audits for its oversight, but contrary to Twin Rivers assertion, we do not prescribe the oversight method that it should use to conduct appropriate oversight in conjunction with or separately from the annual audits.

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Twin Rivers' statement that it requires all charters schools that it authorizes to submit a material revision request when proposing to expand operation to one or more additional sites or grade levels does not reflect its past practice with regard to Highlands. Despite state law requiring such material revisions, during our audit, as we describe on page 52, Twin Rivers' project manager advised that although the district was aware that Highlands added new locations each year, it was Twin Rivers' understanding that new locations did not require a material revision of the charter. She further explained that Highlands' charter agreements required it to notify Twin Rivers at least 30 days before occupancy of each new site location, but that Highlands did not follow this expectation. Because it did not require Highlands to obtain approval for material revisions, our report notes on page 52 that Twin Rivers was unable to perform adequate oversight over Highlands. (8)

Twin Rivers argues that our recommendation that it establish a method for tracking the actual costs of its charter oversight is impractical and functionally impossible to implement. However, as we state on page 55, state law allows a chartering authority to charge the charter schools it authorizes and oversees for the *actual cost* of oversight, not to exceed 3 percent of the charter school's revenue, if the charter school is able to obtain substantially rent-free facilities from the chartering authority. Our recommendation aligns with the wording of the law, and we do not see how Twin Rivers can determine the amount of its actual costs if it has no method to track them. Therefore, we fail to see why Twin Rivers would resist implementing this recommendation. (9)

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David W. Gordon
Superintendent

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May 27, 2025

Grants Parks*
California State Auditor
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Re: SCOE Response to Highlands Community Charter and Technical Schools State Audit

Dear Mr. Hooper:

This letter responds to the California State Auditor's Highlands Community Charter and Technical Schools Audit Report (2024-106) as it relates to the Sacramento County Office of Education (SCOE). As explained below, SCOE disagrees with the report to the extent it finds that SCOE took limited action to ensure Highlands Community Charter School (Highlands) addressed audit findings and that SCOE should have exercised more authority over Highlands. SCOE took a proactive role in investigating and reporting fiscal mismanagement concerns in compliance with its statutory obligations, but it lacked legal authority to ensure Highlands addressed the findings of the investigation and subsequent audit. SCOE does not object to the auditor's recommendation that the legislature create greater clarity regarding the role of county offices of education in ensuring that charter authorizers address investigation/audit findings. However, if the legislature imposes additional duties on county offices of education with regard to charter authorizers, it must also provide county offices of education with the resources necessary to carry out these duties along with the ability to refer issues and concerns to the appropriate state agencies for corrective action.

A. SCOE Was Proactive in Investigating Highlands and Reporting the FCMAT Audit Findings. ①

In 2016, SCOE was contacted by the California Department of Education (CDE) about potential issues involving Highlands Community Charter School (Highlands), a charter school authorized by the Twin Rivers Unified School District (Twin Rivers) governing board. SCOE investigated the potential issues by reviewing the charter school's annual audit report and other publicly available materials. As a result of its investigation, the Sacramento County Superintendent of Schools (Superintendent) requested the Fiscal Crisis & Management Assistance Team (FCMAT) to audit Highlands pursuant to Education Code sections 1241.5 and 47604.4.

* California State Auditor's comments appear on page 161.

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FCMAT released a report of its audit findings on May 31, 2018. Although FCMAT did not find intentional fraud or misappropriation, it did find several potentially unlawful practices by Highlands and significant material weaknesses and deficiencies in the charter's internal controls that needed correction. FCMAT noted that the charter's practices may merit sanctions by the charter authorizer and state agencies, including potential loss of state education funding.

The FCMAT report recommended that the Superintendent notify Highlands' governing board, CDE, the State Controller's Office, and the California Fair Political Practices Commission (FPPC) of the report's findings and ensure that Twin Rivers and Highlands investigate and confirm that certain issues raised in the report were properly addressed. Therefore, the Superintendent took the following actions:

- On June 7, 2018, the Superintendent presented the FCMAT Report at an open meeting of the Highlands' governing board.
- On June 8, 2018, the Superintendent provided the FCMAT Report to CDE, the FPPC, and Twin Rivers, highlighting the FCMAT findings and requesting that the entities take action as appropriate within their jurisdictional area.
- On June 19, 2018, SCOE staff met with CDE's Deputy Superintendent of Public Instruction and CDE's Director of the School Fiscal Services Division regarding the FCMAT Report.
- On June 21, 2018, SCOE staff met with Twin Rivers to review the FCMAT Report and confirm Twin Rivers' plans to investigate and address issues raised in the report.
- On June 27, 2018, SCOE provided the FCMAT Report to the State Controller's Office.
- On December 5, 2018, Twin Rivers forwarded to SCOE correspondence with Highlands dated June 22, 2018, July 17, 2018, August 1, 2018, and December 3, 2018.

These actions implemented FCMAT's recommendations and involved a significant investment of time. As such, SCOE disagrees with the numerous places in the audit report that indicate that SCOE took limited actions to ensure that Highlands and Twin Rivers addressed the FCMAT audit findings.

② **B. A County Office of Education Has Limited Authority over District Authorized Charter Schools.**

SCOE acted in compliance with the law when it received notice of potential issues involving Highlands and when it requested the FCMAT audit and responded to the FCMAT audit findings. SCOE's actions were consistent with its statutory authority over charter schools authorized by school districts within its jurisdiction.

When a county superintendent (Superintendent) receives a complaint or other information warranting an investigation, the Superintendent has the authority to monitor and investigate the operation of a charter school within its jurisdiction. (Ed. Code, § 47604.4.) The charter school is required to respond to inquiries from "the county office of education that has jurisdiction over the school's chartering authority," including providing records. (Ed. Code, § 47604.3.) If the county superintendent has reason to believe there is fraud, misappropriation of funds, or other illegal fiscal practices, it may audit the expenditures and internal controls of a charter school within its county. (Ed. Code, § 1241.5, subd. (c).) It may also request that FCMAT conduct an audit of the charter school, as SCOE did in this case. (Ed. Code, § 42127.8, subd. (c)(2).)

However, if the Superintendent discovers there is fraud, the only remedy is to "report the findings and recommendations to the governing board of the charter school at a regularly scheduled meeting and provide a copy of the information to the chartering authority of the charter school." (Ed. Code, § 1241.5, subd. (c).) Similarly, under another provision of the Education Code, the county superintendent reports evidence of fraud or misappropriation of funds to the "governing board of the school district, the State Controller, the Superintendent of Public Instruction, and the local district attorney." (Ed. Code, § 42638, subd. (b).)

In other words, the county superintendent has the authority to *investigate* charter schools and, when there is a finding of fraud, *notify* the governing board of the charter school and other entities that may have authority to take appropriate action. However, the Superintendent does not have any direct authority over the charter school and cannot compel the charter's compliance with the audit findings.

Accordingly, SCOE objects to the language in the audit report to the extent it suggests that SCOE erred in not exercising direct authority over Highlands. The law does not provide SCOE with that authority, and such actions would have infringed upon the authority granted to the charter authorizer, Twin Rivers.

While the Superintendent is vested with broad authority to "superintend" the schools in the county, that authority must be exercised in a manner not in conflict, or inconsistent with, other laws. (Ed. Code, §§ 1240, 35160, 35160.2.) As expressed by the California Attorney General, "[A] county superintendent is vested with broad authority to carry on, and expend for, activities and programs that he or she determines to be necessary or desirable to meet the needs of the community, so long as the activities or programs are not in conflict with or inconsistent with law." (101 Ops.Cal.Atty.Gen. 56 (Aug. 23, 2018).)

Any effort by the county superintendent to exercise direct authority over Highlands would have conflicted, and been inconsistent, with the comprehensive statutory scheme governing charter schools. The charter authorizer is required to monitor the fiscal condition of a charter school. (Ed. Code, § 47604.32, subd. (a)(4).)

It may elect not to renew a charter if it finds that substantial fiscal problems interfere with the charter's ability to successfully implement its program, and an authorizer may revoke a charter if it determines that there has been fiscal mismanagement. (Ed. Code, § 47607, subd. (e), (f).) Before revocation, the authorizer must give the charter a reasonable opportunity to remedy the problem, provide notice, and a public hearing. (Ed. Code, § 47607, subd. (g), (h).) If a school district revokes or does not renew a charter, the charter school may appeal to the county board of education. (Ed. Code, §§ 47607, subd. (i), 47607.5.)

Thus, the legislature has delegated to the county superintendent the authority to investigate and report fraud to the charter authorizer. The authorizer is then tasked with working with the charter school to implement a remedy and, if unsuccessful, revoking the charter. If the Superintendent had usurped the district's role and exercised direct authority over Highlands, it would have conflicted with this statutory scheme. In addition, SCOE directly overseeing a charter's actions, when such actions lead to a charter revocation or nonrenewal by its authorizer, would disrupt the appellate process. It would require a charter school to appeal to a body that was exercising enforcement authority over it.

C. Legislative Action Should Be Mindful of the County Office of Education's Limited Role over District Authorized Charter Schools.

SCOE does not oppose the audit report's recommendations to the extent they create greater clarity regarding the role of county offices of education in ensuring that charter authorizers address investigation/audit findings. Under the current law, a county office of education has limited options in the face of inaction by the charter authorizer or state entities, other than continuing to investigate and report continuing misconduct. SCOE suggests that any resulting legislation build upon the existing statutory scheme governing charters and the role of the county office of education's oversight of school districts' budgets. In addition, if the legislature mandates that county offices of education perform additional oversight of charter authorizers, it also needs to provide the resources necessary for county offices of education to carry out these additional responsibilities along with the ability to refer issues and concerns to the appropriate state agencies for corrective action.
If you have questions or need additional information, please let me know.

Sincerely,



Nicolas Schweizer
Associate Superintendent, Business Services

NS/cv

cc: Teresa Stinson, General Counsel

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Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM SACRAMENTO COUNTY OFFICE OF EDUCATION

To provide clarity and perspective, we are commenting on the response to our audit report from Sacramento COE. The numbers below correspond with the numbers we have placed in the margin of Sacramento COE's response.

We disagree with Sacramento COE's assertion that it was proactive in investigating Highlands, and that its actions ultimately implemented FCMAT's recommendations. As we discuss on page 45, Sacramento COE took only limited actions to ensure that Highlands and Twin Rivers addressed FCMAT's findings and, while we acknowledge some of the actions that it took initially, Sacramento COE's follow-through process appears to have been limited thereafter. As we state on page 46, Sacramento COE's associate superintendent indicated that it appears that Sacramento COE did not follow up beyond the described actions because, at that time, it felt assured that Twin Rivers was taking appropriate action as Highlands' oversight entity. Given that Sacramento COE had enough concerns about Highlands to request the FCMAT audit and FCMAT's findings indicated illegal fiscal practices may have occurred, we stand by our conclusion that it should have done more to monitor whether Highlands addressed the audit findings. (1)

In its response, Sacramento COE objects to the language in the audit report to the extent it suggests that Sacramento COE erred in not exercising direct authority over Highlands, and states that it cannot compel the school's compliance with audit findings. This objection mischaracterizes our discussion and distracts from the range of actions it could have taken, given its broad oversight authority under the law. Specifically, we did not conclude that Sacramento COE erred in not exercising direct authority over Highlands, as Sacramento COE asserts. As we state on page 59 of the report, and as Sacramento COE acknowledges in its response, the county superintendent has broad authority to superintend all schools, including charter schools, within their counties. Additionally, Figure 13 on page 57 explains that a county superintendent is legally authorized to monitor the operations of a charter school when justified by information such as an audit report. Our recommendation to the Legislature on page 63 is intended to direct further use of this authority, stating that the Legislature should consider requiring county offices of education to determine whether the findings in extraordinary audits are remedied within a reasonable amount of time and then to notify the chartering authority and CDE of each audit finding that it determines is unremedied. Therefore, we stand by our conclusion on page 58 that Sacramento COE could have continued monitoring and following up to determine whether Highlands addressed the findings and recommendations from the FCMAT audit. (2)

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CALIFORNIA DEPARTMENT OF EDUCATION

TONY THURMOND
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

1430 N STREET, SACRAMENTO, CA 95814-5901 • 916-319-0800 • WWW.CDE.CA.GOV

May 27, 2025

Grant Parks
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Subject: Highlands Community Charter and Technical Schools – *Lax Oversight Allowed Highlands to Inappropriately Receive $180 Million in K-12 Funding* - 2024-106

Dear Mr. Parks:

The California Department of Education (CDE) appreciates the opportunity to provide comments and address the recommendations outlined in the California State Auditor's (CSA) Audit Report titled, "Highlands Community Charter and Technical Schools – *Lax Oversight Allowed Highlands to Inappropriately Receive $180 Million in K-12 Funding.*"

Recommendation 1

To ensure that schools participate in their required testing and to ensure transparency about student assessment outcomes, by December 2025, CDE should propose including a procedure in the audit guide to verify that schools meet the condition of apportionment regarding participating in state testing requirements.

CDE's Comments

The CDE will explore the feasibility of proposing a procedure for inclusion in the 2025-26 Audit Guide Supplement to verify charter school compliance with state testing requirements, which is a condition of apportionment.

Recommendation 2

To ensure that it takes appropriate action related to Highlands, the state superintendent should direct CDE to immediately investigate whether Highlands has sufficiently complied with state law, met the conditions of K-12 funding, and appropriately claimed K-12 funding. To the extent that CDE determines that Highlands has failed to significantly address in this report and others, or that Highlands has committed any violations of state law, has not met the conditions to receive K-12 funding, has not demonstrated improved pupil achievement, or inappropriately claimed K-12 funding, the state superintendent should take appropriate action, including making adjustments to Highlands' apportionments and making a recommendation to the State Board of Education to take appropriate action, up to and including revoking Highlands' charters.

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CDE's Comments

The CDE will, within the confines of its authority and Highlands' statutory rights to seek review of the findings in this or any other audit, continue to monitor Highlands and follow-up as needed with Highlands, Twin Rivers Unified School District, and Sacramento County Office of Education to confirm that Highlands meets the conditions of funding and has appropriately claimed funding. If there is evidence of:

(1) gross financial mismanagement which jeopardizes the financial stability of the charter school;
(2) illegal or substantially improper use of charter school funds for the personal benefit of any officer, director, or fiduciary of the charter school;
(3) substantial and sustained departure from measurably successful practice such that continued departure would jeopardize the educational development of the charter school's pupils; or
(4) failure to improve pupil outcomes across multiple state and school priorities

that would support a recommendation of revocation by the State Superintendent, then the State Superintendent may recommend revocation to the State Board of Education as permitted by *Education Code* section 47604.5. Additionally, the CDE will review the result of the audit and evaluate the conclusions considering the audit resolution process outlined in *Education Code* and determine the best course of action to ensure appropriate compliance.

If you have any questions regarding CDE's comments, please contact Alice Lee, Director, Audits and Investigations Division, by phone at 916-323-1547 or by email at AlLee@cde.ca.gov.

Sincerely,

David Schapira
Chief Deputy Superintendent of Public Instruction/Chief of Staff
California Department of Education

DS:kl

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Commission on Teacher Credentialing

651 Bannon St, Suite 600, Sacramento, CA 95811 www.ctc.ca.gov

Official Response to Audit 2024-106 Twin Rivers Unified School District and Highlands Community Charter Schools—Programs and Oversight

The California Commission on Teacher Credentialing is committed to ensuring appropriate licensing and monitoring of all educator assignments in cooperation with the California Department of Education and local education agencies, such as charter and traditional public schools. The Commission enforces teaching credentialing policy as identified by the Legislature and is prepared to act on any recommendations or outcomes related to this audit that will serve to strengthen oversight for certificated educator assignments.

Ensuring Educator Excellence

EXHIBIT C:

INDEPENDENT ADA REVIEW AND FINAL REPORT BY SCHOOLHOUSE PARTNERS, REVISED FEBRUARY 19, 2026

Highlands Community Charter and Technical Schools

Independent ADA Review Final Report

Submitted December 15, 2025
Revised January 16, 2026, and February 19, 2026

Prepared by Schoolhouse Partners
112 S. Royal St. Suite D, E
Alexandria, VA 22314
Tel: (703) 548-0855

Schoolhouse PARTNERS

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Introduction

Schoolhouse Partners has completed a review of Highlands Community Charter and Technical Schools (Highlands) data and procedures during fiscal years 2021-22, 2022-23, and 2023-24 addressed by the California State Auditor's office in its June 2025 audit. We have reviewed Average Daily Attendance (ADA) reports, attendance records, attendance taking procedures, and student reengagement procedures. Finally, we reviewed accreditation reports and have included a summary as a way to shed light on programmatic strengths and weaknesses observed by the Western Association of Schools and Colleges.

Datasets and Documentation Reviewed

We have reviewed the following sources of data and documentation:

- PowerSchool attendance data from July 12, 2021, to June 30, 2025
- Highlands' attendance-keeping procedures from 2021-22 to present
- Highlands' standard operating procedures for the reengagement of students in the event of absences, incomplete coursework, other failure to meet expectations, or disenrollment
- Records of communication between staff and students for the purposes of reengagement
- Comprehensive Adult Student Assessment Systems (CASAS) data reports
- Data showing the full-time equivalent counts for teachers serving the California Innovative Career Academy (CICA) independent study program
- Records showing teacher certifications and the classroom responsibilities held by uncertified teachers
- Site visit reports from the Western Association of Schools and Colleges (WASC), Highlands' accreditor

Attendance Procedures

Process Improvements

During the period covered by the California Department of Education (CDE) audit, CICA and Highlands Community Charter School (HCCS) made important improvements to their procedures and training around student attendance. In the first year after the audit period, 2024-25, the school produced detailed handbooks and training modules that have clearly been built in response to demonstrated need. The processes today are more robust than ever.

However, multiple artifacts from the school's operation in the audited years indicate that students were required to attend at least 80% of their classes and days. These artifacts also showed that the school required teachers to both discuss this attendance policy with students and record their status in every class period. School policies dictated that teachers use electronic systems which left an audit trail. The school's processes aligned with best practices at similar schools with acceptable levels of attendance. To that end, we observe that, aside from the actual attendance counted, the operators of HCCS and CICA ran programs that offered sufficient class time to students and required that they attend at least 80% of it.

Time Requirements

Schools are required to offer 175 days and 64,800 minutes. ADA reporting compiled by Charter Impact shows the following days of school for all tracks[1]:

The current bell schedule runs from 8:45 am to 2:51 pm, with 6 minutes of passing time and 30 minutes for lunch, for a total of 330 minutes. During the audit period, however, the school ran for 399 minutes on long days (4/week) and 300 minutes on short days (1/week). School days averaged between 378 and 379 minutes during this time. In all cases for daytime school, both HCCS and CICA offered at least 175 days of school and 64,800

[1] HCCS and CICA average daily attendance reports

minutes of school. HCCS also offered an evening track; the Twin Rivers audit[2] determined that this track had insufficient class time. We address this point later in this report in the "Previous Recalculations" section.

Improvements to Record-Keeping

HCCS, 2021-22

Onboarding materials for this year instructed teachers to check daily records for accuracy before entry into PowerSchool[3]. A February 8 meeting for teachers included reminders about the importance of daily and weekly hard copies of attendance records[4].

CICA, 2021-22

Teachers received training stating that they should keep all required samples of student work, and that those samples must have corrections in red ink and show each student's full legal name and the date. Additional training directed teachers to track student meetings in the Learning Report and to keep digital files of "everything." CICA also provided training showing teachers how to maintain compliance with Master Agreements[5].

HCCS, 2022-23

Professional development emphasized that teachers must record and report daily attendance[6]. In addition, the onboarding materials for 2022-23 again referred to rechecking daily records for accuracy before putting data into PowerSchool. Ongoing administrative communication emphasized this point[7].

CICA, 2022-23

All the policies, procedures, and expectations from 2021-22 were still in effect in 2022-23.

---

[2] Highlands Community Charter and Technical Schools – Student Attendance Review; Commissioned by Twin Rivers Unified School District; Prepared by Dennis Snelling; January 2025.
[3] HCCS Academic Onboarding 2021-2022 Attendance Slides Only
[4] 2-8-22 Area Meeting SY21-22
[5] Compliance Review March 18, 2022
[6] August 11, 2022 PD
[7] HCCS Academic Onboarding 2022-2023 Attendance Slides Only

HCCS, 2023-24

The school added attendance processes using the school's internal system, referred to as "The Brain," which required students to scan a unique QR code to have attendance logged in PowerSchool[8].

CICA, 2023-24

An accreditation report by WASC cited the new role of Academic Program Coordinators who train teachers to use PowerSchool, as well as the use of CASAS data for personalized learning[9]. Teachers were trained on all the documentation required for Independent Study attendance compliance and how to correctly keep Learning Logs[10]. CICA added training this year on how to assess high quality work samples[11]. A memo provided specific expectations for teachers on how to document reengagement activities for CICA students[12].

HCCS, 2024-25

The WASC report stated that HCCS had solid policies to ensure consistent record-keeping across its programs[13]. The school issued a memo detailing how all attendance documents should be retained and provided a training video with specific details[14]. Additional artifacts from staff meetings and trainings detailed how teachers need to take attendance daily and preserve records[15].

CICA, 2024-25

In the post-audit period, CICA, like HCCS, continued to improve policies. Teacher training from August 2024 stressed the importance of tracking work assigned, subject, and date on

[8] Attendance processes 2023-2-24 SY
[9] *Self-Study Visiting Committee Report, WASC, for CICA 9/18-20/23*
[10] CICA IS Teacher Training Aug. 24
[11] CICA Compliance Refresher Master 23-24
[12] Tiered student reengagement 23-24
[13] Self-Study Visiting Committee Report, WASC, for HCCS 10/14-16/24
[14] 1-6-25 Reminder Attendance Expectations
[15] Multiple sources including Academic Department meeting 2-13-25

assignment sheets[16]. Teachers were trained on record-keeping tools[17], and they were also trained on records due at the end of each learning period[18]. Finally, memos and training emphasized the importance of submitting work samples and documenting attendance each week on time[19].

Improvements to Emphasis on Attendance Requirement

HCCS, 2022-23

Professional development delivered on August 11, 2022, preparing for the 2022-23 school year, emphasized the requirement that students attend each day, for the entire day[20]. A set of slides titled, "Expectations for the 22-23 School Year" explicitly stated that attendance was required every period and should be recorded in each class.

CICA, 2023-24

Training on independent study expectations made it clear that teachers must check daily progress[21].

HCCS, 2024-25

In the post-audit period, the school continued to improve its processes. The staff portal, department meeting agendas, and the student handbook added new language referencing the importance of daily attendance and record-keeping[22]. Attendance requirements were reiterated at a December department meeting[23].

Improvements to Independent Study

CICA, 2021-22

[16] CICA IS Teacher Training Aug. 24
[17] CICA IS Compliance Training Part II 24-25
[18] CICA IS Compliance Training Part II 24-25
[19] 1.1.25 Attendance Accountability Implementation
[20] Aug. 11, 2022 PD
[21] Independent study compliance refresher master 23-24
[22] Screenshot of staff portal; HCCS Academic Department Meeting 24-25 SY
[23] HCCS Academic Department Meeting 12-12-24

CICA provided training on the need to track attendance and to meet with missing students[24]. The same training emphasized the importance of tracking student meetings in the Learning Report, with dates. Training was also provided on reengagement activities[25].

CICA, 2022-23

No new documents

CICA, 2023-24

CICA ran multiple detailed training sessions on Learning Logs and other IS expectations[26].

CICA, 2024-25

In the post-audit period, CICA continued to add to its resources for both teacher preparation and student information, including a video in English and Spanish about the importance of attendance even for IS students[27]. They also added trainings on the use of The Brain and on tools to track assignments[28].

Observations

In 2022-23 and 2023-24, all tracks offered more than enough school days and minutes as required by law. Both HCCS and CICA built a strong set of artifacts demonstrating that they required students to attend every day, required teachers to track that attendance, and required that tracking take place in a specific manner. Prior to the audit period, in 2021-22, there were fewer artifacts demonstrating these requirements than there were in 2024 and 2025. That said, these early documents and memos instructed teachers to take attendance daily and to keep documentation. In 2022-23 and 2023-24, both HCCS and CICA added to their documentation, instructions to staff about how to work with students on attendance, and training to support those instructions. Overall, both schools demonstrated evidence that they required student attendance and teacher tracking of that attendance. They also acknowledged, as they improved processes, some deficiencies in

[24] Compliance Review March 18, 2022
[25] 2021-22 PDF
[26] CICA Compliance Refresher Master 23-24, CICA IS Teacher Training Aug. 24
[27] You Tube Video about attendance 2024-2025 SY
[28] CICA IS Compliance Training Part II 24-25

how effective these requirements were in changing student behavior in terms of attendance.

Auditors used a 3-part test to draw their conclusions that the school was not eligible for funding in 2022-23 and 2023-24. The first part of this test requires that 80% of instructional time, which happens when students are in an educational program led by certificated employees, take place at the school site. The second part states that the school must require students to attend at that site for 80% of the required minimum instructional time. The third part only concerns how a school can get permission for non-classroom-based instruction and circumvent the above parts of the test; HCCS and CICA have not requested this permission.

As an assessment of the first two parts, the auditor noted the following: 7 class visits provided observations of 2-3 hours of lecturing followed by individualized help time. "Most of those instructors[29]" said that the rest of the class was optional, and an 8th instructor said that the above schedule was typical but was not observed. The former executive director "confirmed that some teachers reported" teaching in the above manner: 2-3 hours of lecture with individualized study periods. Auditors did not observe teachers enforcing attendance requirements.

As an assessment of the first two parts of the test, the audit report noted that out of 8 class visits (note: it is not clear whether these are the same as the 7 class visits plus the one conversation with an instructor), 3 included observations of "students signing into class" and leaving, though it does not note how many students. The report also referred to a survey which was sent to 33,109 students with a return rate of 2.4% (793 responses). A maximum of 750 attended during the audit period, though this count does not represent unique students. Among students who answered the survey, approximately 2/3 reported attending class either 3-5 or more than 6 hours per day, about 3/4 reported attending at least 4 days a week or attending virtually, and over 80% reported doing more than 5 hours of work outside of school per week.

In our assessment, these methods of determining attendance policies are insufficient to support the audit's conclusions. With 5 periods per day, each of which has hundreds of sections, over 224 school days, a survey covering 7 classes has a 37% margin of error. Further, the auditors reported that "most", not all, of the teachers in those classes described the non-lecture time as optional. Even if we assume a biased sample (including only those data points supporting one point of view) of just the 4 or 5 teachers who

[29] Quotations from and references to the audit draw on the document titled, "Highlands Community Charter and Technical Schools: Lax Oversight Allowed Highlands to Inappropriately Receive More Than $180 Million in K-12 Funding." Report 2024-106; Produced by the California State Auditor; June 2025.

confirmed the auditors' conclusions, the margin of error in a sample this small would increase to 50%. At this margin of error, the observed 3 hours of instruction could be 4.5 hours, or 75% of the school day, 18 minutes shy of the required 80%.

The student survey received enough responses to generate a very low margin of error (<4%), but it showed that many students report attending school regularly, and potentially for more time than was observed by the auditors. The majority of students reported attending at least 4 days per week and at least 3 hours per day. When asked about hours per day that they went to school, most students reported going 3-5 hours per day. The range offered in the survey answers diminishes its utility to support the audit's conclusions: the answer choice "3 to 5 hours" spans both insufficient required time (3 hours, 50% of the day) and sufficient required time (5 hours, 83% of the day). Further, artifacts from this period showing policies, procedures, and teacher training, reviewed in the prior section of this report, show that they required full daily attendance. In addition, those artifacts show that the school consistently increased training and messaging around attendance requirements in response to attendance data.

In 2022-23, HCCS' weighted average ADA percentage across all tracks was 52.73%. In 2023-24, that average was 44.58%. While California does not have a specific ADA percentage requirement, for estimation purposes we can consider that an 80% ADA percentage would represent a likely outcome for a school effectively requiring 80% attendance. Therefore, the school's efforts during this time can be considered approximately 65.92% effective in 2022-23 and 55.73% in 2023-24. That is, the audit's investigative techniques suggested that students did not come to school for enough hours, and that the school did not require attendance. But since those techniques do not prove that the observed behaviors happened across the organization, and since the survey suggests that the opposite was in fact true, the school's efforts to communicate attendance requirements must be considered at least partially effective.

We acknowledge, as did the school, that policies and practices were not fully aligned with student needs or more would have come to school. But neither were those practices wholly ineffective. In addition, the school was only paid for students who were present, as is every California public school, according to Local Control Funding Formula Entitlement calculations. Students did come to school, they reported that they stayed for more hours than were observed in the small sample of classes is ed for the audit, and they stated that they did so on most days. The resulting ADA was lower than the school would have liked, which drove their ongoing work to improve attendance policies and supports. But it was not zero. The next question is whether those ADA measures accurately represent the students in school. We consider that in the next section.

Average Daily Attendance (ADA) Data Review

Frequency of Contemporaneous Attendance Records

Attendance data in PowerSchool includes a "Transaction Date" indicating the most recent date the entry was edited. Transaction Date is either the date the entry was originally made or the most recent date it was updated. There are no other data indicating the date an entry was first input into PowerSchool. Transaction Dates are 109 days later than their entry's attendance date on average across the entire dataset. This delta between attendance and transaction date ranges from -61 to 978 days[30].

Overall average delay of 109 days

From December 2024 to May 2025, attendance records from the 2022-23 and 2023-24 school years were updated in bulk. The bulk updates cleaned up issues in data quality, including changing "blank" attendance records to "absent," correcting for times when the attendance status of absent students was left blank in PowerSchool, and correcting mismatched enrollment and course dates (for example, if a student's beginning enrollment date was incorrectly recorded as a few days after their first course enrollment began, the enrollment date was corrected). The updates allowed for the use of PowerSchool's automated reports going forward without any additional filtering or cleaning.

We flagged records that met the following criteria as "bulk edits":

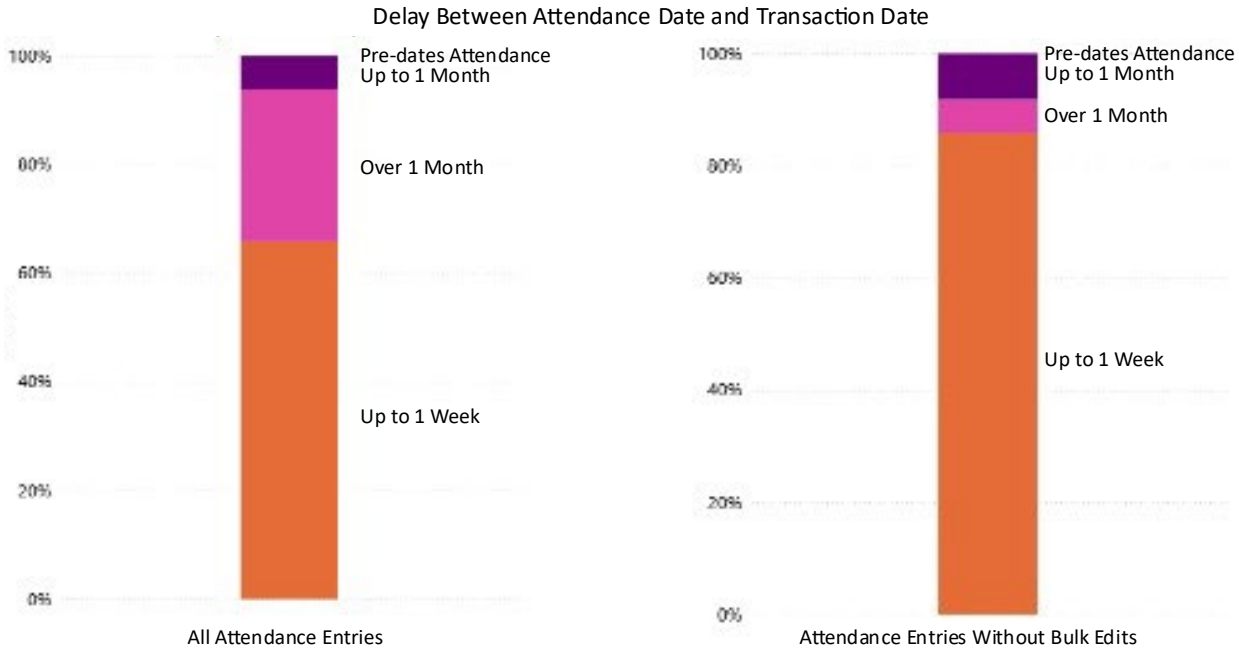
- A transaction day between December 2024 and May 2025 with at least 40k transactions edited on a day (typical days have < 30k transactions)
- A delay of over one month between attendance date and transaction date

[30] Highlands PowerSchool records 2021-22 to 2024-25

- Absent attendance record

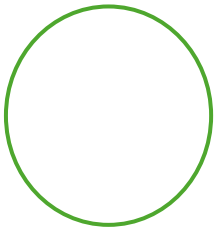
We did not find evidence of falsified attendance records in the bulk edits. When bulk editing changed the attendance marking, it was to set the marking as “absent" and therefore generated no improvement in ADA. No one was marked “present” in these edits[31,32].

When bulk edit entries are removed, 86% of records have a delay of one week or less between attendance date and transaction date. An additional 8% of records have a delay over one week but under one month. In total, 94% of attendance records were entered within a month and had no edits made beyond that time[33].



When bulk edit records are removed, the delay between attendance and transaction date averages seven days and is always under 30 days except for one period during mid-2023. This is consistent with a practice of inputting attendance data into PowerSchool weekly[34].

[31] Highlands PowerSchool records 2021-22 to 2024-25
[32] Communication with Charter Impact and Highlands administration Fall 2025
[33] Highlands PowerSchool records 2021-22 to 2024-25
[34] Ibid.



Beginning in July 2023, Highlands' administration implemented a new policy of active oversight of attendance-taking for the 2023-24 academic year. Spikes in delay times in July and August[35][36] (see green circled section above) reflect an adjustment to the new and more rigorous attendance-taking procedures. Delay times fell over the course of the academic year to levels at or below delay times in previous years, as would be expected. We believe PowerSchool attendance records were logged contemporaneously and are a trustworthy source of attendance data.

Alignment with Academic Calendar

To confirm the validity and trustworthiness of the PowerSchool attendance records, we expect to see records occurring on every day that school occurred, and on no days that school was out of session. From the 2021-22 to the 2024-25 academic years, there are between 4,000 and 47,000 attendance records on every day that school was in session[37]. There is a general trend upwards over time as Highlands' enrollment grew from 2021 to the end of the 2023-24 school year, and then a decrease in the 2024-25 school year. Within the overall trend up and down of attendance records, there are sharp drops at the start of new academic years, peaks at the ends of months, and valleys at the beginnings[38]. The consistency and repetition of the pattern of peaks and valleys provides confidence that they are artifacts of natural patterns in enrollment, not signs of faulty or incomplete record-keeping. Additionally, there were no school days that were missing attendance records.

[35] Ibid.
[36] Communication with Charter Impact and Highlands administration, Fall 2025
[37] Highlands PowerSchool records 2021-22 to 2024-25
[38] Highlands academic calendars 2021-2025

There are, however, eight non-school days that have attendance records[39]. On each of these days, between 1 and 1,107 students were marked absent[40]. Incorrect records are typically from HCCS, except for one day with 1,107 students marked absent at CICA on a non-school day. There are no present records occurring on non-school days. Because attendance records were incorrectly recorded on non-school days only eight times across the four academic years, and all records were absent markings, we determine that the data set contains very few artifacts of inaccurate data entry.

Attendance Records on Non-School Days			
Date	School	Attendance Records	% Absent Records
8/13/2021	HCCS	1	100%
5/9/2022	CICA	1,107	100%
1/6/2023	HCCS	164	100%
12/27/2023	HCCS	78	100%
12/28/2023	HCCS	78	100%
1/1/2024	HCCS	77	100%
1/4/2024	HCCS	66	100%
1/5/2024	HCCS	66	100%

[39] Highlands academic calendars 2021-2025

[40] Highlands PowerSchool records 2021-22 to 2024-25

Ultimately, we believe that the ADA as recorded and reported for each track is accurate.

Fiscal Year	Track	ADA	ADA %
2023	A	2,443	48%
2023	B	221	64%
2023	C	1,716	47%
2024	A	3,811	45%
2024	B	427	42%
2024	C	1,634	45%

Comparison of Original Paper Records to PowerSchool

We reviewed paper attendance records from the classrooms of two Highlands' teachers. Two complete months of records were reviewed for each teacher. Records were from the following months: July 2022, June 2023, July 2023, and June 2024[41]. The paper records consist of a printed list of student names and ID numbers for each school day of each month, with handwritten signatures next to students who were present. A signature denotes a "present" attendance record for that day. The records included 891 unique students.

We matched the sample of paper attendance records to the PowerSchool dataset and found that all 891 students who exist in the paper attendance records also exist in the PowerSchool dataset. No students who are indicated either absent or present on the paper records are missing from the PowerSchool records[42]. Further, no students were marked "present" in PowerSchool who did not also sign in on the paper form. In addition, students who are recorded in the paper records also have PowerSchool attendance records in the same month for all but 30 students. Of the 30 students who are on the paper records but

[41] Highlands paper attendance records July 2022 to June 2024
[42] Highlands PowerSchool records 2021-22 to 2024-25

have no attendance records in PowerSchool in the same month, 29 originated from the records of one teacher in July 2023. We inspected the paper records for five of the 30 students and found they were absent (lacking a signature) 100% of the time in the paper records, indicating that there may have been a lag in removing disenrolled students from the paper sheets, but not indicating any meaningful inconsistencies between the attendance records. The sample of paper attendance records shows a high degree of consistency with the PowerSchool dataset. Our investigation of this sample strengthens our confidence in the fidelity of the PowerSchool records.

Observations

ADA figures are calculated by the PowerSchool Attendance Summary by Grade report, one of several aggregated attendance reports that can be run in PowerSchool. PowerSchool is a student information system software that is widely used in California, with 1,100 school and district customers reported in the state. It complies with California state reporting requirements and is continually updated to reflect any changes. The Attendance Summary by Grades report is one of over 70 reports designed specifically for California users[43]. We are confident in the validity of the calculations performed by the PowerSchool software as reported on the Attendance Summary by Grades reports. Further, teachers used the system in ways that strongly implied they were changing practices to align with the procedures and training described in the previous section. School leaders emphasized consistent entry into PowerSchool, and entry times averaged close to 1 week. When requirements became more rigorous before the 2023-24 school year, entry time spiked before returning to or running below the 1-week average. These data show teachers'

[43] "PowerSchool Knows California." PowerSchool.com, Feb 27, 2024

compliance with the policies. The data also demonstrates the link between the artifacts that document attendance requirements and meaningful behavior change within the organization.

In addition, a sample of paper records far exceeding the sample size used in the audit and covering both 2022-23 and 2023-24 showed that PowerSchool records matched manual sign-in sheets almost exactly. Because the data within PowerSchool demonstrate both timely, accurate entry and a connection to required practices, we are confident that the attendance data is a reliable source of truth. These observations do not imply adjustments to the ADA or therefore to the penalty, but they support the conclusion from our review of attendance procedures, which relies on accurate recording of attendance.

Previous Recalculations and Repayments

Summary of Activities

In June 2025, CDE required both HCCS and CICA to recalculate ADA for both 2022-23 and 2023-24. Specifically, Period 2 of the count for both years was off by enough (>2 ADA) to force a full revision. At CICA, the errors stem from the school's exceeding the required maximum student-teacher ratio of 25:1 for independent study programs. This overage led CDE to disallow 768.41 independent study students in 2022-23 and 256.85 in 2023-24. CICA recalculated its teacher Full-Time Equivalent (FTE) in the more conservative of two possible methods in 2023-24, though the school had used a method leading to a higher FTE count in the prior year. At HCCS, procedural errors drove the recount. While only sporadic working papers exist from the calculations leading to a reduced ADA count in 2022-23 and 2023-24, we conclude that those factors that could be reviewed did warrant an adjustment to ADA.

CICA Independent Study 2022-23

ADA was originally calculated to be 2,734.1. However, during the 2022-23 school year, CICA did not use a robust Enterprise Resource Planning (ERP) system to track employee records, and records were kept in different spreadsheets. While the resulting output has been accepted by the school's auditors, the raw data could have issues endemic to spreadsheet-based tracking. For example, a position or its related full-time equivalent calculation could be edited or erased without any audit trail. To that end, we cannot comment on the veracity of the raw data going into this calculation. Because the Chief Business Officer was able to clearly walk us through the steps used to generate the total CICA FTE for this year, because we were able to recreate those steps from the raw staffing data, and because of the approval of his calculations by the school's auditor, we are comfortable assessing the analysis of these data with this caveat about the data's maintenance.

To determine FTEs assigned to CICA, we first convert total hours worked to the accepted full time equivalent as defined by CDE. At both HCCS and CICA, an FTE works 209 days for 8 hours each, or 1,672 hours per year. In 2023-24 when the school offered 224 days, teachers were paid an additional daily rate after day 209. CDE defines an FTE, for the purposes of independent study ratio calculations, as working 175 days for 6 hours, or 1,050

hours[44]. FTE per employee is capped at 1.0, even if an employee's hours exceed 1,050 for the year (as is the case for many HCCS/CICA employees). This means, for example, that an employee who works half-time at CICA and half-time at HCCS works 1,672/2, or 836 hours, at CICA. This would mean that a 0.5 CICA employee is, for CDE's independent study calculations, a 0.8 FTE employee (836 hours worked / 1,050 hours required). Note that CDE's worksheet only allows one decimal point, so most numbers in this section are represented as such. For the internal FTE calculations that led to these numbers for CDE, HCCS and CICA use two decimal places, and so calculations for this report do as well. Final results are then reported with one decimal place to match the CDE.

In 2022-23, 85 people taught independent study programs at CICA. Of that group, 58 were full-time employees at CICA (1.00 FTE). Of the remaining 27, 12 employees were 0.63 FTEs or higher at CICA. Working at least 0.63 of a full-time position equates to at least 1,053 hours (0.63 FTE * 1,672 hours/FTE at CICA = 1,053 hours). This total makes them 1.00 FTEs for CDE's calculations regarding independent study student-teacher ratios. The remaining 15 employees served as fractional FTEs because of hours worked per week, start date within the year, or a combination thereof. Their FTEs at CICA ranged from 0.61 to 0.02 FTE, totaling 5.60 FTE at CICA and 8.92 for CDE.

In summary:

Headcount	CICA FTE	CDE Equivalent	Total CDE FTE
58	1.00	1.00	58.00
12	≥ 0.63	1.00	12.00
15	0.02 to 0.61	0.03 to 0.98	8.92
85			78.92

Applying these FTE totals to the original FTE produces the following change in funding:

2022-23 Original ADA:	**2,734.1**
Total relevant FTE:	**78.9**
Ratio, students to teachers:	**34.7 (should not exceed 25:1)**
Excess FTE:	**9.7 FTE**
Excess ADA:	**765.3**
Per pupil funding:	**$16,252**
Funding to be returned to CDE:	**$12.4m**
CDE requested funding return:	**$12.4m**

[44] Course Based IS Ratio Calculations Instructions, https://www.cde.ca.gov/sp/eo/is/cbisratiocalcinstr2526.asp#CS

CICA Independent Study 2023-24

ADA was originally calculated to be 2,902.5. In 2023-24, 139 people worked on independent study programs at CICA. One of them was the Director of Independent Study, an entirely administrative position. Four others worked as principals who spent 25% of their time doing administrative work. Of that group of 139, 82 were full-time employees at CICA (1.00 FTE). The director, all 4 principals, and all of the non-administrative employees worked full time and so the relevant instructional FTE is 80.00. 16 employees were 0.63 FTEs or higher at CICA, or 1.00 FTE for CDE. The remaining 41 employees' FTEs at CICA ranged from 0.10 to 0.62 FTE, totaling 12.43 FTE at CICA and 19.79 for CDE.

In summary:

Headcount	CICA FTE	CDE Equivalent	Total CDE FTE
82	1.00	1.00	80.00
16	≥ 0.63	1.00	16.00
41	0.01 to 0.62	0.16 to 0.98	19.79
139			115.79

For 2022-23, CICA's auditor accepted the school's method of converting CICA FTE (8 hours, 209 days) to CDE FTE (6 hours, 175 days); this method also follows the Course Based IS Ratio Calculations Instructions. In negotiations with the school's previous CEO, CDE did not accept the same methodology for 2023-24. No explanation or working papers for this conclusion were provided to the school. At that time, the school agreed to use the lower, internal count of FTE. Internal records show the total FTE at CICA, less administrative roles, to be 103.6. However, according to the Chief Business Official of HCCST, Matthew Lemos, the school's former executive director, Bill McGuire, agreed to use a total of 104.3 FTE in their calculations. This total is memorialized in the FY 2023-24 Traditional Independent Study Ratio Calculations for Charter Schools Worksheet.

Applying these FTE totals to the original FTE produces the following change in funding:

2023-24 Original ADA:	**2,902.5**
Total relevant FTE:	**115.8 using CDE hours requirement**
	103.6 using internal CICA count
	104.3 using negotiated count
Ratio, students to teachers:	**@115.8 FTE 25.0 to 1, no funding return**
	@104.3 FTE 27.8 to 1

Allowable / Excess ADA @103.6 FTE	**2,590.0 / 312.5**
Allowable/Excess ADA @104.3 FTE	**2,607.5 / 292.0**
Per pupil funding:	**$17,571.00**
Funding to be returned @104.3 FTE	**$5.1m**

HCCS 2022-23 and 2023-24

Additional ADA changes at HCCS were driven by the re-alignment of the ADA calendar to match school months rather than calendar months, uncertified teachers, and insufficient minutes for students in night classes in 2022-23. In total, these changes reduced ADA by 81.0 in 2022-23 and by 244.8 in 2023-24. These reductions drove a total of $1.3m in returned funds for 2022-23 and $4.5m for 2023-24. This payment was completed in June 2025. Records showing the exact drivers for each of these reductions do not exist, as they were all entered into PowerSchool together. However, we were able to identify the presence of errors that needed correction for two of the three: the calendar and the uncertified teachers. In our judgment, for both of those errors, corrections were made in a logical and conservative manner, resulting in the highest rationalizable reduction in ADA for those errors rather than a calculation more favorable to the school. For the third error, insufficient minutes in HCCS night classes, no data are available that show actual minutes of instruction except for the Twin Rivers audit.

In the case of calendar adjustments, the school attempted to calculate ADA using calendar months in both 2022-23 and 2023-24. In California, school months for the purpose of ADA calculation have 20 days (the final month may be longer if needed). As noted in the Twin Rivers audit completed in January 2025, the use of calendar months meant that the school used incorrect denominators for P2 ADA in both audited years. These errors were corrected, and the proper 20-day months were used in these revised ADA calculations.

And as regards uncertified teachers, 2 teachers were entirely uncertified for the classes they were responsible for teaching during these two years. California does not permit ADA to be recorded for time spent in classes led by uncertified teachers. Internal records show that one of these teachers was responsible for 5 sections during 2022-23 and 2023-24. Those sections served 195 students. The other taught 4 sections and 50 students. Note that both teachers were assigned to many more sections, but the school started and dissolved sections frequently during this time. Additionally, 3 more teachers earned their certification during the 2022-23 school year; all students taught before the certification date had to be removed from ADA. Together, these teachers were assigned to 5 sections during 2022-23. They spent most of the year uncertified. One received certification in May

2023, another in June 2023, and the third in July 2023 (so, extending briefly into 2023-24). During this period, they taught 577 students.

Finally, for students who attended the track for late afternoon or evening classes, the available data indicate that it was indeed short of the required minutes. Those data are limited to the Twin Rivers audit. This document showed:

- 201 full school days for Track A (PM) in 2022-23
- 290 minutes per day, or 58,290 minutes for the year
- A delta of 6,510 minutes, or 10.05%, versus the required 64,800 minutes

In HCCS' ADA adjustment negotiations with CDE, the school noted that "instructional minutes were below the annual required minimum by 4,500 minutes" and therefore reduced ADA by 6.94%, which they computed to be a loss of 55.63 ADA. We have not received documentation which explains the delta between 6,510 and 4,500 minutes, but the lower total has been submitted to CDE. At the 2022-23 per pupil rate of $16,198.97, a reduction of 55.63 ADA equals $901,148.70. A reduction of 6.94% that equals 55.63 ADA implies a pre-reduction ADA of 801.59.

With 141 school days in P2, this ADA translates to 113,023 present-days. However, in the database provided by the school and Charter Impact, there are over 173K present-days, which translates to a starting P2 ADA of 1,262.79. There are, then, several scenarios under which the school might have needed to return more funds:

- *Baseline: ADA = 801.59, less 6.94% = 55.63 ADA and $901K*
- ADA = 1,262.79, less 6.94% = 87.64 ADA and $1.42m
- ADA = 1,262.79, less 10.05% = 126.91 ADA and $2.01m
- ADA = 801.59, less 10.05% = 80.56 ADA and $1.30m

The largest possible benefit to the school here, when comparing the accepted ADA correction to the most conservative case, is $2.01m - $901K, or approximately $1.1m. The ADA calculations have already been submitted to CDE, and so we do not believe that the baseline ADA should be adjusted. However, we must note that in this case, the ADA reduction was favorable to the school, relative to other possible interpretations, and not the most conservative choice available.

Observations

Whether in response to external audits or to improved internal processes and the related calculations to remedy past incorrect ADA counts, HCCS and CICA have already returned

to CDE, or set aside to return, a total of $22.7m. It is our judgment that, for the portions of this recalculation that we have been able to retest, the school has calculated correctly. In the case of the independent study ratio issue, where we could not gather data or working papers that allowed us to recreate the school's calculations tying directly to the returned funds, the school was conservative in its assessment. That is, it offered a larger ADA reduction and concomitant refund to CDE when options existed to make the case for a smaller reduction. For the Track A PM adjustment, the school did not propose to CDE the most conservative possible reduction in ADA. This change favored the school by, at most, $1.1 m versus the most conservative scenario. In the independent study corrections, the school's method favored CDE by over $5m.

We would note that the school's actions here indicate four important points:

- As noted above, that the school has already taken measures to repay funds for errors in calculation of teacher FTE and student ADA during the audit period
- The school did so in a manner that did not always seek to minimize repayment but instead to find solutions based on corrected data and analysis
- In addition, the school made permanent changes to operations and procedures to ensure that these corrections would not be needed going forward. For example, the calendars are now running off the correct months, and independent study has a new leader ensuring proper student-to-teacher ratios and other important compliance measures
- Finally, and most importantly, the school's corrections generated clawbacks in the funding system which have already taken effect. While there were errors leading to overcounting ADA in 2022-23 and 2023-24, the remaining ADA was correctly counted and represented evidence of students attending in alignment with all rules

The ADA adjustments noted in this section far exceed what the California State Auditor noted in its audit, though the 2023-24 adjustment at CICA for incorrect student-to-teacher ratios nearly matches the auditor's calculation.

Reengagement Records and Procedures

Reengagement Procedures 2023-24

There were no standardized reengagement procedures in the 2021-22 or 2022-23 school years. In 2023-24, the following system of tiered reengagement strategies was the standard operating procedure at CICA[45].

CICA Tiered Reengagement Procedure	
Event	**Action**
Two days of absence from class	Teacher calls and texts student
Three days of absence from class	Teacher sends an email to student
Four days of absence from class	A counselor is notified and contacts student to offer extra support
Six days of absence from class	Principal may approve a Leave of Absence (LOA). Teacher must communicate the LOA to student
Two weeks of absence and no contact from the student	LOA is submitted

Reengagement Procedures 2024-25

The reengagement procedures for CICA students were updated for the 2024-25 school year. HCCS established standard operating procedures. There is now documented improvement of reengagement procedures, from little to no standard procedures during the audit period to well-documented procedures and trainings after the audit[46,47].

[45] CICA Tiered/Student Reengagement 23-24
[46] Bridge HS Reengagement SOP 6/2/25
[47] California Innovative Career Academy Attendance SOP 2024-2025

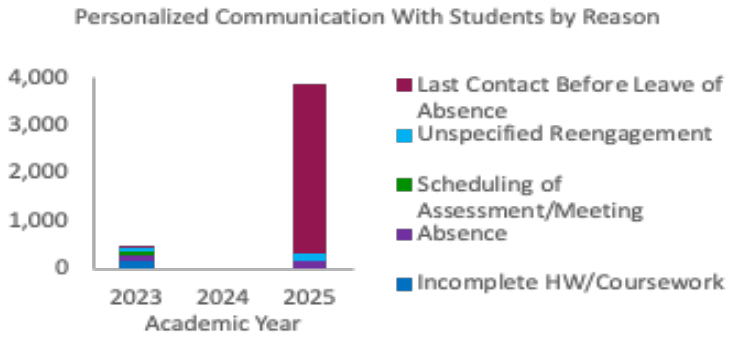
CICA Tiered Re-Engagement Procedure[48]	
Event	**Action**
One day of absence or non-participation	Call or text made to student
Participation <50% in a month or attendance <10% of required minimum instructional time over four weeks	Teacher emails counselor who connects student with additional services if needed
Completion <30% of assigned work in a learning period or unsatisfactory educational progress	Teacher holds conference with student to review expectations and inform of disenrollment risk
Student must receive written notice of intent to disenroll at least five school days before disenrollment	

HCCS Tiered Re-Engagement Procedure[49]	
Event	**Action**
At least one period absent in a day	Auto-generated email and text sent to student every day
Two consecutive days of absence	Teacher or paraeducator calls, texts student
Five consecutive days of absence	Attendance team calls, texts student and informs of disenrollment risk
Ten consecutive days of absence	Auto-generated email and text sent with notice of disenrollment in five school days
Students with unsatisfactory academic progress or who do not meet Independent Study Master Agreements may also be disenrolled after five school days' notice	

[48] Ibid.
[49] Bridge HS Reengagement SOP 6/2/25

Re-Engagement Procedures and Actions

Although there is evidence that school management recognized the importance of reengagement efforts, with the publishing of standard tiered reengagement procedures for CICA in the 2024 school year, the actual output of reengagement communication from teachers and counselors was extremely limited. There were about 500 records of personalized calls, texts, or emails to students regarding reengagement in the 2023 school year. Most of the reengagement communication in 2024 and 2025 came in the form of standardized emails with information about re-enrolling that were sent to students who had been disenrolled. This communication did not address the attendance of currently enrolled students, so it is represented separately from other reengagement efforts. In the 2025 school year, there were about 3,800 instances of personalized reengagement communication, almost 3,600 of which were the last contact with students before placing them on leave of absence. There were many more emails sent encouraging students to reenroll and not specifically targeted towards reengagement of absent students[50].





[50] Highlands PowerSchool records

Observations

In this area, the gap between documented procedures during the audit period and records of teacher activity to implement those procedures is high. Based on evidence from PowerSchool, the school either took very little action to reach out to students who were absent from school or teachers did not record those efforts. Increased reengagement efforts in 2024-25 reflect the increased commitment to, documentation of, and enforcement of reengagement procedures by Highlands' administration that began during the audit period and continues today. In addition to reengagement activity, the school also increased efforts to re-enroll students who had left the school. The increased frequency of this re-enrollment work from 2023 to 2025 was an additional positive signal of improving procedures coming out of the audit period. In regard to the penalties in the audit, the lack of procedures in 2022-23, and the minimal recorded activity in 2023-24 align with the improving processes and activity (e.g., training sessions and meeting agendas) around attendance as a whole explored in the first section of this report. These data should be understood as part of the partially successful efforts that generated the school's accurate but low ADA.

Western Association of Schools and Colleges (WASC) Accreditation

Summary of Accreditor Findings: CICA

WASC visited CICA on September 18-20, 2023, to prepare a self-study report, which is a part of the accreditation process. The committee rated the school as follows[51]:

Accreditation status factors		Rating
Student progress towards defined outcomes		Highly effective
Use of prior findings		Effective
Stakeholder involvement		Effective
Misson, culture, and objectives support high achievement		Effective
Governance and leadership support high achievement		Effective
Faculty and staff support high achievement		Effective
Curriculum supports high achievement		Highly effective
Teaching and learning supports high achievement		Highly effective
Assessment supports high achievement		Effective
Support services support high achievement		Highly effective
Management supports high achievement		Highly effective
Community partnerships support high achievement		Highly effective
Long-range planning aligned with areas of need		Highly effective
Capacity to monitor that plan		Effective

They also noted multiple specific strengths and improvements:

- Addition of the Edmentum LMS
- Adoption of new English language development curriculum and the completion of other important curriculum improvements. Curriculum are "rigorous and relevant"
- Clarity of vision and mission, with alignment across staff and board leaders
- Curriculum aligned with state standards, including a newly-developed Workforce Readiness curriculum
- Student success demonstrated by a 3.6 average GPA in 2022-23, CASAS score gains, and increases in reading scores
- Evidence that student needs and staff input drive decisions about the program
- Evidence that the staff is "trained, prepared, and dedicated to serve the school's students" and that they use assessment data to inform instruction
- A broad menu of culturally responsive supports is accessible to help all students
- Effective financial management and planning

[51] Self-Study Visiting Committee Report; Accrediting Committee for Schools, Western Association of Schools and Colleges; Prepared for the California Innovative Career Academy; September 18-20, 2023.

- Effective facility and safety planning

Summary of Accreditor Findings: HCCS

WASC conducted the same type of visit to HCCS on October 14-16, 2024. The committee rated the school as follows[52]:

Accreditation status factors	Rating
Stakeholder involvement	Somewhat effective
Use of prior findings	Effective
Student progress towards defined outcomes	Effective
Misson, culture, and objectives support high achievement	Effective
Governance and leadership support high achievement	Effective
Faculty and staff support high achievement	Highly effective
Curriculum supports high achievement	Highly effective
Teaching and learning supports high achievement	Effective
Assessment supports high achievement	Effective
Support services support high achievement	Highly effective
Management supports high achievement	Somewhat effective
Community partnerships support high achievement	Highly effective
Long-range planning aligned with areas of need	Somewhat effective
Capacity to monitor that plan	Effective

They also noted multiple specific strengths and improvements:

- Multiple improvements to program delivery and operations based on feedback from the previous accreditation visits
- Effective integration of technology which supports collaboration
- A very positive climate and culture fostering inclusion and communication
- Clear explanation of school policies and procedures to staff
- Multiple professional development opportunities aligned with the mission, including EdConnective coaches and mentor teachers
- Strong, culturally relevant reading curriculum and English-learner curriculum. Students report feeling welcome and having the instructional materials and help that they need to learn

[52] Self-Study Visiting Committee Report; Accrediting Committee for Schools, Western Association of Schools and Colleges; Prepared for the Highlands Community Charter School; October 14-16, 2024.

- Periodic assessment schedule for internal testing and required WIOA/AEFLA testing. Strong feedback loop between assessment results and adjustments to instruction noted by accreditation team
- Comprehensive student supports delivered by school staff and partner agencies
- Hiring process that "ensures staff are qualified…including credential verification"

Observations

Findings from these accreditation reviews do not directly counter those from the audit. Instead, they show that both HCCS and CICA, despite their issues managing attendance, provided programming based on a clear and strong mission, led by qualified teachers, and that benefitted students. Because of these positive findings, we include these data to remind reviewers, as they consider adjustments to ADA-related findings, that this school has provided an important service to a population in need of opportunities and services that meet their needs.

Findings

Audit area 1: Not meeting conditions of instructional modes

Except for one small evening course track, HCCS offered the required number of days and minutes in both years covered by the audit penalties in this area. HCCS made clear and specific improvements to both record-keeping and attendance requirements. These improvements included work on both student instructions and supports related to required attendance. HCCS' data and ADA calculations were both accurate and reliable as demonstrated by several statistical tests. HCCS' attendance procedures led to a weighted average ADA percentage across all tracks of 52.73% in 2022-23, and those procedures then led to a weighted average ADA percentage, again across all tracks, of 44.58% in 2023-24. Assuming a fully effective set of procedures would generate an ADA of at least 80%, we consider HCCS' procedures to be 66% effective in 2022-23 and then 56% effective in 2023-24. That is, they still required improvement, which has continued through the 2024-25 and 2025-26 school years, but they were clearly not wholly ineffective. Updated penalty amounts are calculated by multiplying the Original Auditor Total by the Inverse of the effectiveness rate

School, year	Original audit penalty amounts	Updated penalty amounts	Logic/explanation for updated amounts
CICA	*No audit findings in this area*		
HCCS, 2022-23	$72,738,366	$24,727,644	Original total * (1-66%)
HCCS, 2023-24	$104,554,239	$46,003,865	Original total * (1-56%)
HCCS, Subtotal		**$70,731,510**	

Audit area 2: Excluding days of student attendance

The audit made two claims to justify its conclusion that attendance records were not supported: The first stated that Highlands *was in compliance with state law:* "Highlands' electronic attendance reporting system (attendance reporting system) satisfies this requirement [that charter schools maintain written contemporaneous records]". The second stated that testing of 18 students found no documentation that matched reported attendance. In addition to these two claims, the audit showed only a hypothetical set of calculations that do not tie to the actual findings. We tested written records (sign-in sheets) for 891 unique students captured in July 2022 and 2023, and in June 2023 and 2024 and found that in this much larger sample, documentation did in fact match attendance. We

would note that we were not able to review ADA data for 2021-22 and therefore cannot assess the audited amount.

School, year	Original audit penalty amounts	Updated penalty amounts	Logic/explanation for updated amounts
HCCS, 2021-22	$1,674,465	$1,674,465	No data on 2021-22
CICA, 2021-22	$954,804	$954,804	No data on 2021-22
CICA, 2022-23	$1,329,935	$0	Paper records check reveals all students accounted for
CICA, 2023-24	($408,749)	($408,749)	Not clear which data showed undercount
HCCS, Subtotal		**$1,674,465**	No data on 2021-22
CICA, Subtotal		**$546,055**	$954K - $408K = $546K

Audit area 3: Incomplete documentation of non-classroom attendance

CICA has updated its procedures and definitions for quality work samples and independent study attendance.

School, year	Original audit penalty amounts	Updated penalty amounts	Logic/explanation for updated amounts
HCCS	*No audit findings in this area*		
CICA, 2022-23	$7,370	$7,370	Amount not material
CICA, Subtotal		**$7,370**	

Audit area 4: Improper student-teacher ratios for independent study

CICA requires full-time teachers to work 209 days/year for 8 hours/day. CDE defines a full-time teacher for independent study purposes as someone working 175 days/day for 6 hours/day. Therefore, CICA FTEs must be converted to CDE FTEs to determine allowable ADA. In 2023-24, the conversion from CICA to CDE shows that CICA employed 115.8 FTE, but the school's former ED agreed to use a lower total of 104.3 FTE. This total FTE implies

an excess ADA of 292.0 and a funding reduction of $5,130,732. CICA also recalculated its ADA for 2022-23, although the audit did not address this area for this school year.

School, year	Original audit penalty amounts	Updated penalty amounts	Logic/explanation for updated amounts
HCCS	*No audit findings in this area*		
CICA, 2022-23	*No findings*	$12,437,656	Excess ADA of 765.3 * $16,252 per ADA
CICA, 2023-24	$5,599,034	$5,130,732	Excess ADA of 292.0 * $17,571 per ADA
CICA, Subtotal		**$17,568,388**	

Audit area 5: Teachers lacking credentials (selection of 5 teachers)

There are no new or updated findings; penalties should remain as stated in the audit.

School, year	Original audit penalty amounts	Updated penalty amounts	Logic/explanation for updated amounts
CICA, 2019-20	$3,051	$3,051	Data not available from this year; amount not material
HCCS, 2021-22	$8,058	$8,058	
CICA, Subtotal		**$3,051**	
HCCS, Subtotal		**$8.058**	

Total updated penalties and repayments

Audit area	HCCS	CICA
1	$70,731,510	$0
2	$1,674,465	$546,055
3	$0	$7,370
4	$0	$17,568,388
5	$8,058	$3,051
Subtotal, penalties	$72,414,033	$18,124,864
Repayment, 2022-23	$1,322,426*	$17,203,309***
Repayment, 2022-24	$4,527,747**	
Total penalties, net of repayments	**$66,563,860**	**$921,555**

* For evening courses, teacher certification, and calendar errors requiring ADA recalculation

** For teacher certification and calendar errors requiring ADA recalculation

*** For adjustment of FTEs for independent study requiring ADA recalculation. Payments began in August 2025 and will be complete in June 2026

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