

**Education Audit Appeals Panel
State of California**

Appeal of 2005-06 Audit Finding 7 by:

EAAP Case No. 07-11

Elk Grove Unified School District,

OAH No. 2007110761

Appellant.

Decision

The Education Audit Appeals Panel has adopted the attached Stipulation and Proposed Decision of the parties as its Decision in the above-entitled matter with the recognition that references to the audit guide (California Code of Regulations, Title 5, § 19852(d)(3)) are understood to mean the underlying substantive law (Title 5, § 11960(a)).

Effective date: October 27, 2008

IT IS SO ORDERED.

October 27, 2008
Date

Original Signed
Diana L. Ducay, Chairperson
for Education Audit Appeals Panel

1 Greg Wedner, SBN 067965
Edward J. Sklar, SBN 179028
2 **LOZANO SMITH**
3 2000 Crow Canyon Place, Suite 200
San Ramon, CA 94583-1344
4 Telephone: (925) 302-2000
Facsimile: (925) 302-2010
5
6 Attorneys for Appellant,
Elk Grove Unified School District

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9 **BEFORE THE**
10 **EDUCATION AUDIT APPEALS PANEL**
11 **STATE OF CALIFORNIA**

12 In the Matter of the Appeal of:

13
14 **ELK GROVE UNIFIED SCHOOL DISTRICT,**

15
16 Appellant.

EAAP Case No. 07-11
OAH Case No. 2007110761

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19 **STIPULATION AND PROPOSED**
20 **DECISION**

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22 Appellant Elk Grove Unified School District ("EGUSD") and intervenor Department of Finance
23 ("DOF"), hereby agree to a complete resolution of Audit Finding No. 7 for the fiscal year ended June
24 30, 2006, currently the subject of the instant appeal, as follows:

25 **RECITALS**

- 26 A. The independent accounting firm of Perry-Smith, LLP, conducted an audit of EGUSD for the
27 fiscal year ended June 30, 2006, the results of which were included in the audit report issued on
28 or about June 30, 2006 ("Perry-Smith Audit").
- B. Pages 79-80 of the audit report contain Audit Finding No. 7, in which Perry-Smith determined
that the Elk Grove Charter School ("Charter School"), operated by EGUSD, did not adequately
document that its independent study students engaged in educational activity for each day that
apportionment attendance was recorded, in purported violation of California Code of

1 Regulations, title 5, section 19852, subdivision (d)(3) (formerly section 19851, subdivision
2 (d)(3)).

- 3 C. Perry-Smith concluded that the effect of Audit Finding No. 7 was an overstatement of 101.71
4 units of independent study ADA representing a disallowance of \$595,000 to be assessed against
5 EGUSD.
- 6 D. The State Controller's Office ("SCO") certified the Perry-Smith Audit on or about May 21,
7 2007.
- 8 E. EGUSD disputed the determination set forth in Audit Finding No. 7 and filed a timely appeal
9 with the Education Audit Appeals Panel ("EAAP") on or about November 14, 2007, attached
10 hereto as Exhibit A.
- 11 F. EGUSD represents that following the 2005-06 school year, the Charter School revised its
12 attendance accounting procedures to require independent study students to verify that they have
13 engaged in educational activity using a daily log system.
- 14 G. DOF timely moved to intervene in the EAAP proceeding on December 10, 2007, and is currently
15 the only active respondent in this action.

16 **AGREEMENT**

17 For the purpose of completely settling and resolving this appeal of Audit Finding No. 7, DOF
18 and EGUSD agree as follows:

- 19 1. This Stipulation and Proposed Decision shall fully and completely resolve any and all claims,
20 demands, appeals, obligations, and/or causes of action, now and hereafter arising from or relating
21 to Audit Finding No. 7 of the Perry-Smith Audit of EGUSD for the fiscal year ended June 30,
22 2006. Accordingly, the DOF expressly waives any right or claim or right to assert or pursue
23 thereafter any claim, demand, obligation, and/or cause of action relating to Audit Finding No. 7.
- 24 2. The amount disallowed by Audit Finding No. 7 shall be reduced from \$595,000 to \$267,750.
25 Conversely, EGUSD shall retain \$327,250.
- 26 3. Repayment of the full amount of \$267,750 in the current fiscal year would constitute a severe
27 financial hardship for EGUSD. EGUSD shall repay the amount of \$267,750 to the SCO in two
28 equal annual payments. The first annual payment of \$133,875 shall be due to the SCO on or

1 before September 30, 2008. The second annual payment of \$133,875 plus interest accrued on
2 that amount at the rate earned on the state's Pooled Money Investment Account from the date
3 this Stipulation and Proposed Decision is approved by EAAP until the date of the second
4 payment shall be due on or before September 30, 2009. Notwithstanding the foregoing, in the
5 event that EGUSD determines that repayment of the full amount will not constitute a severe
6 financial hardship, EGUSD shall have the option, at its sole discretion, to repay the full amount
7 of \$267,750 in a single payment due to the SCO on or before September 30, 2008 without
8 incurring any prepayment penalties or interest. In the event the payment scheduled for
9 September 30, 2008 is not made by the due date, the SCO shall withhold \$133,875 plus interest
10 accrued on that amount from the next principal apportionment paid to EGUSD in 2009. In the
11 event the payment scheduled for September 30, 2009 is not made by the due date, the SCO shall
12 withhold \$133,875 plus interest on that amount from the next principal apportionment paid to
13 EGUSD in 2010.

14 4. EGUSD represents that the Charter School has implemented attendance accounting procedures
15 in compliance with California Code of Regulations, title 5, section 19852, subdivision (d)(3)
16 (formerly section 19851, subdivision (d)(3).

17 5. This Stipulation and Proposed Decision is made without any admission of fault or liability by
18 any party.

19 6. This Stipulation and Proposed Decision shall be subject to and conditioned upon ratification by
20 the Governing Board of EGUSD.

21 7. This Stipulation and Proposed Decision is subject to and conditioned upon approval and
22 adoption by EAAP, pursuant to Education Code, section 41344.1, subdivision (b). This
23 Stipulation and Proposed Decision shall be submitted to EAAP for approval following
24 ratification by EGUSD's Governing Board.

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LOZANO SMITH
2000 Crow Canyon Place, Suite 200 San Ramon, CA 94583-1344
Tel 925-302-2000 Fax 925-302-2010

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8. This Stipulation and Proposed Decision may be executed in counterparts, each of which shall constitute an original. Facsimile copies of signature pages transmitted to other parties to this Stipulation and Proposed Decision shall be deemed equivalent to original signatures on counterparts.

ELK GROVE UNIFIED SCHOOL DISTRICT

Original Signed by
R.E. Odegaard for

Dated: Sep 22, 2008

DR. STEVEN M. LADD, Superintendent
Elk Grove Unified School District

EDMUND G. BROWN, JR.
Attorney General for the State of California
PAUL REYNAGA
Supervising Deputy Attorney General

Original Signed

Dated: 8/1, 2008

MELINDA VAUGHN
Deputy Attorney General
Attorneys for Intervenor Department of Finance

APPROVED AS TO FORM:
OFFICE OF THE STATE CONTROLLER

Original Signed

JOHN DICKERSON, Staff Counsel
Attorney for John Chiang, State Controller
Date: August 1, 2008