

**Education Audit Appeals Panel  
State of California**

Appeal of 2003-04, 2004-05, and 2005-06  
Audit Findings in Chapter One of the Los  
Angeles County Office of Education Review  
of the Gorman Learning Center Charter  
School by:

Gorman Learning Center,  
Appellant.

EAAP Case No. 07-05  
OAH No. L2008050384

**Decision as to Finding  
Regarding Pupil-Teacher Ratio**

The Education Audit Appeals Panel adopted the attached Settlement Stipulation and Proposed Decision of the parties as its Decision in the above-entitled matter during closed session on August 30, 2010. Final issuance was delayed pending receipt of the original signatures from all parties, and subsequent availability of the Chairperson.

Effective date: October 11, 2010.

IT IS SO ORDERED.

October 11, 2010.  
Date

*Original Signed*  
Diana L. Ducay, Chairperson

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Attorneys For Appellant  
Gorman Learning Center

BEFORE THE OFFICE OF ADMINISTRATIVE HEARINGS

10	GORMAN LEARNING CENTER	)	
11	Appellant,	)	EAAP Case No. 07-05
12	v.	)	OAH Case No. 2008050384
13	OFFICE OF THE CONTROLLER, STATE OF CALIFORNIA,	)	<b>SETTLEMENT STIPULATION AND PROPOSED DECISION</b>
14	Respondent,	)	<b>HEARING DATE: JUNE 22-24, 2010</b>
15	And	)	<b>TIME: 9:00 A.M.</b>
16	DEPARTMENT OF FINANCE, STATE OF CALIFORNIA,	)	<b>CASE FILED: APRIL 23, 2007</b>
17	Intervenor.	)	<b>JUDGE: HONORABLE MICHAEL SCARLETT</b>
18		)	
19		)	

20 Appellant Gorman Learning Center ("Appellant" or "Charter School") and Intervener  
21 California Department of Finance ("Finance") agree to a complete resolution of the above-  
22 captioned matter as follows:

23 RECITALS

24 A. At the request of the Los Angeles County Office of Education, the independent  
25 accounting firm of MGT of America, Inc. (MGT) conducted a limited scope audit of Appellant  
26 pursuant to Education Code Section 1241.5, subdivision (c) to determine, among other things, if  
27 Appellant was in compliance with the independent study requirements for the calculation of its  
28

1 fiscal year 2004-05 and 2005-2006 pupil-to-teacher ratio ("PTR"), Full Time Equivalent ("FTE")  
2 teachers, and Average Daily Attendance ("ADA"). The results of the audit were included in the  
3 audit report issued and dated March 7, 2007 ("MGT Report").

4 B. The MGT Report reported that Appellant had over-claimed more than \$667,383 in  
5 Fiscal Year 2004-2005 and \$1,196,406 in Fiscal Year 2005-06 because its pupil to teacher ratio  
6 did not meet state guidelines. (See Audit Report, pp. 18-19.) More specifically, the MGT Report  
7 reported alleged that Appellant claimed four FTEs pertaining to six teachers even though it had  
8 not assigned any students to these teachers during 2004-2005, and that Appellant had claimed  
9 17.2 FTEs for 24 teachers even though it had not assigned any students to these teachers during  
10 2005-2006.

11 C. The MGT Report also reported that Appellant included questionable expenditures  
12 and excluded revenues that it was required to report in its nonclassroom-based funding  
13 applications, and that as a result, Appellant should not have qualified for the funding levels it  
14 received under SB 740.

15 D. Appellant disputed the findings and recommendations of the MGT Report.  
16 Appellant filed a timely formal appeal to the Education Audit Appeals Panel ("EAAP") on April  
17 23, 2007.

18 E. Finance timely moved to intervene in the instant EAAP proceeding on May 19,  
19 2008, and was granted intervener status.

20 F. On May 27, 2008, Respondent SCO informed EAAP that it would not actively  
21 participate in the proceedings, as it did not conduct or review the Audit Report.

22 G. Appellant filed a motion to dismiss the portion of its appeal related to its SB 740  
23 funding, arguing that EAAP did not have jurisdiction over audit findings related to SB 740, and  
24 that instead all SB 740 audit findings were properly addressed by resubmission to the State Board  
25 of Education. The motion to dismiss was opposed by Finance.

26 H. Prior to hearing on the motion to dismiss, on September 26, 2008, Appellant and  
27 Intervener entered into a Stipulation and Settlement that sought dismissal with prejudice of  
28 "all portions of the audit appeal related to SB 740 funding determinations." On October 17,

1 2008, the Office of Administrative Hearings (“OAH”) issued a Proposed Decision that  
2 incorporated the parties’ stipulation and settlement. At its meeting on November 17, 2008,  
3 EAAP rejected the Proposed Decision in order to decide the case itself under the provisions  
4 of Government Code Section 11517(c)(2)(E).

5 I. On December 16, 2008, EAAP issued a decision on the motion to dismiss  
6 finding that “EAAP has no authority to determine whether a charter school may be “required  
7 to repay” any amount as a result of audit findings related to the information submitted to  
8 SBE.” EAAP’s findings dismissed all SB 740-related claims from the appeal.

9 J. The remaining findings related to PTR and FTE calculations remained with the  
10 Office of Administrative Hearings for proceedings on the merits of the appeal in accordance with  
11 Education Audit Appeal section 41344, subdivision (d).

12 K. In order to avoid the cost and uncertainty of litigation, the parties to this case agree  
13 to resolve this dispute on the terms and conditions described herein.

14 AGREEMENT

15 For the purpose of completely settling and resolving the appeal of the audit findings and  
16 recommendations of the MGT Report, Charter School and Finance agree as set forth below:

17 1. This stipulation and proposed decision fully and completely resolve all claims,  
18 demands, appeals, obligations, or causes of actions arising from or relating to the MGT Report of  
19 March 7, 2007. Accordingly, Charter School and Finance expressly waive any right or claim to  
20 assert or pursue hereafter any claim, demand, obligation, and/or cause of action relating to the  
21 recitals of the above-described findings and recommendation of the MGT Report. This is a  
22 settlement of a disputed claim, and none of the parties hereto makes any admission with respect to  
23 the issues presented.

24 2. Charter School shall repay in full satisfaction of all remaining findings of the MGT  
25 Report, the amount of \$650,000.00, within the next eight years following the execution of this  
26 agreement. Charter School and Finance agree that the Charter School will pay the \$650,000.00 in  
27 eight annual installments of \$81,250.00 each, to be withheld from future principal apportionment  
28 funding by the State of California to the Charter School, as follows:

- 1           a. 2010-2011     \$81,250.00
- 2           b. 2011-2012     \$81,250.00
- 3           c. 2012-2013     \$81,250.00
- 4           d. 2013-2014     \$81,250.00
- 5           e. 2014-2015     \$81,250.00
- 6           f. 2015-2016     \$81,250.00
- 7           g. 2016-2017     \$81,250.00
- 8           h. 2017-2018     \$81,250.00

9           The State of California will not charge the Charter School any interest for the amounts  
10 specified in paragraph 2, above, under the terms of this Stipulation.

11           3.       This stipulation and proposed decision are subject to and conditioned upon  
12 approval and adoption by EAAP, pursuant to Education Code section 41344.1, subdivision (b).  
13 This stipulation and proposed decision shall be submitted to EAAP for approval following  
14 execution hereof by Charter School and Finance.

15           4.       This stipulation and proposed decision may be executed in counterparts, each of  
16 which shall constitute an original. Facsimile signatures transmitted to other parties to this  
17 stipulation and proposed decision are deemed to be the equivalent of original signatures on  
18 counterparts.

19           5.       This Agreement contains the entire agreement between the Parties hereto and  
20 constitutes the complete, final, and exclusive embodiment of their agreement with respect to the  
21 subject matter hereof. The terms of this Agreement are contractual and not a mere recital. This  
22 Agreement is executed without reliance upon any promise, warranty, or representation by any  
23 part or any representative of any party other than those expressly contained herein, and each party  
24 has carefully read this Agreement, has been advised of its meaning consequences by his or its  
25 respective attorney, and signs the same of his or its own free will.

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1 Dated: 8/19/2010

Original Signed

Middleton, Young and Minney, LLP  
Attorneys for Appellant, Gorman Learning Center

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4 Dated: 8/19, 2010

Original Signed

For Appellant, Gorman Learning Center

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6 Dated: 8/19, 2010

EDMUND G. BROWN JR.  
Attorney General of the State of California  
RICHARD T. WALDOW  
Supervising Deputy Attorney General

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10 Original Signed

11 ANDREW DHADWAL  
12 Deputy Attorney General  
13 Attorneys for Intervener  
Department of Finance

14 Approved as to form only

15 Dated: 8/19, 2010

Original Signed

16 Attorneys for Respondent  
17 State Controller's Office  
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