

**Education Audit Appeals Panel  
State of California**

Appeal of Fiscal Year 2003-04 Audit  
Findings S-04-11, S-04-13 by:

Los Angeles Unified School District,  
Appellant.

EAAP Case No. 06-16

OAH No. L2006090365

**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.

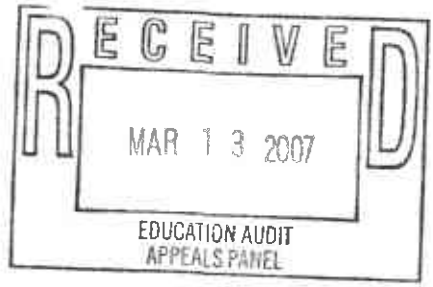
Effective date: April 30, 2007.

IT IS SO ORDERED.

April 30, 2007  
Date

(Original Signed)  
Thomas E. Dithridge, Chairperson  
for Education Audit Appeals Panel

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**BEFORE THE  
EDUCATION AUDIT APPEALS PANEL  
STATE OF CALIFORNIA**

**In the Matter of:**  
  
**Appeal of Fiscal Year 2003-04 Audit Finding(s) S-04-11, S-04-13 by LOS ANGELES UNIFIED SCHOOL DISTRICT**  
  
**Appellant(s).**

EAAP Case No. 06-16  
OAH Case No. 2006090365

**Proposed Decision**

The attached Stipulation and Proposed Decision is adopted and submitted to the Education Audit Appeals Panel as my proposed decision in the above-entitled matter.

Dated: March 7  
~~February~~ \_\_, 2007

*(Original Signed)*  
JANIS S. ROVNER  
Presiding Administrative Law Judge  
Office of Administrative Hearings

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LA2006601640

ORIGINAL

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8 Attorneys for Department of Finance

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**BEFORE THE  
EDUCATION AUDIT APPEALS PANEL  
STATE OF CALIFORNIA**

**In the Matter of:**

**Appeal of Fiscal Year 2003-04 Audit Finding(s) S-04-11, S-04-13 by LOS ANGELES UNIFIED SCHOOL DISTRICT**

**Appellant(s).**

EAAP Case No. 06-16  
OAH Case No. 2006090365

**Stipulation and Proposed Decision**

20 The State Controller's Office (SCO), the Department of Finance (DOF), and the Los  
21 Angeles Unified School District (LAUSD), who are all of the parties in this action, hereby agree  
22 to a complete resolution of this matter as follows:

**Recitals**

24 A. The accountancy firm KPMG, LLP (KPMG), conducted an audit of LAUSD for  
25 the fiscal year ending June 30, 2004, the results of which were included in the Consolidated  
26 Annual Financial Report (audit report) dated January 25, 2005, revised April 4, 2006.

27 B. On pages 251-255 of the audit report KPMG identified a significant finding,  
28 finding S-04-11 (Instructional Time and Staff Development Reform Program). Therein, KPMG

1 determined that LAUSD did not comply with the provisions of Education Code section 44579 in  
2 implementing the Instructional Time and Staff Development Reform Program. Based upon this  
3 finding, KPMG disallowed \$30,228.00 of received State funding.

4 C. On pages 256-257 of the audit report KPMG identified a significant finding,  
5 finding S-04-13 (Class Size Reduction - Individual Class Teacher/Student Ratios over Maximum  
6 20.4.) Therein, KPMG determined that a third grade class exceeded the 20.4 student per class  
7 ceiling maximum with an error/exception rate of 7.14% extrapolated district-wide. Based upon  
8 this finding, KPMG disallowed \$3,553,371.00 of received State funding.

9 D. LAUSD timely submitted its appeal of findings S-04-11 and S-04-13 to the  
10 Education Audits Appeal Panel (EAAP) on September 5, 2006.

11 **Agreement**

12 1. For the purpose of effecting a compromise of this action, and to avoid the  
13 uncertainty and costs of litigation, the SCO, DOF and LAUSD agree:

- 14 a. that LAUSD will withdraw its appeal of finding S-04-11;  
15 b. that the amount disallowed under KPMG finding S-04-13 will be reduced  
16 from \$3,553,371.00 to \$710,674.20;  
17 c. that LAUSD will withdraw, with prejudice, its appeal (EAAP Case  
18 No. 06-16; OAH No. L2006090365);  
19 d. that neither SCO or DOF will engage in further activity to adversely affect  
20 LAUSD funding based on KPMG findings S-04-11 and S-04-13; and  
21 e. that LAUSD will make all reasonable efforts in the future to insure  
22 compliance with the provisions of Education Code sections 44579 and 52122.

23 2. This settlement agreement is made without any admission of fault or liability by  
24 any party.

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1           3. The terms and conditions of this agreement are subject to the approval of the  
2 LAUSD Board of Education.

3  
4 OFFICE OF THE STATE CONTROLLER

5  
6 Dated: 1/24, 2007

By: *(Original Signed)*  
GARY D. HORI

7  
8 Attorney for JOHN CHIANG, California  
State Controller

9  
10 DEPARTMENT OF FINANCE

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12 Dated: 1/26, 2007

By: *(Original Signed)*  
GREGORY M. CRIBBS  
Deputy Attorney General

13  
14 Attorney for Department of Finance

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17 LOS ANGELES UNIFIED SCHOOL DISTRICT

18  
19 Dated: 1/26, 2007

By: *(Original Signed)*  
KEVIN REED  
General Counsel

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