

**Education Audit Appeals Panel  
State of California**

Appeal of 2005-06 Audit Finding 06-03 by:

EAAP Case No. 07-20

Lowell Joint Elementary School District,  
Appellant.

OAH No. 2007100515

**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: July 28, 2008.

IT IS SO ORDERED.

July 28, 2008

Date

*Original Signed*

Diana L. Ducay, Chairperson  
for Education Audit Appeals Panel

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6 LOWELL JOINT SCHOOL DISTRICT

7  
8 BEFORE THE EDUCATION AUDIT APPEALS PANEL  
9 STATE OF CALIFORNIA

10  
11 In the Matter of,

EAAP Case No. 07-20  
OAH No. L2007100515

12  
13 LOWELL JOINT SCHOOL DISTRICT

**STIPULATION AND  
PROPOSED DECISION**

14 Appellant.  
15

16  
17 This Settlement Agreement ("Agreement") is entered into by and between, and on behalf  
18 of, the Lowell Joint School District ("District"), the Department of Finance ("DOF"), the Office  
19 of the State Controller ("SCO"), hereinafter referred to collectively as the Parties.

20 This Agreement is made for the following purposes and with reference to the following  
21 facts:

22 **STATEMENT OF PURPOSE**

23 It is the intent of the Parties to establish a schedule whereby the District may repay certain  
24 funds arising from Audit Findings for the 2003-2004 and 2005-2006 school years.

25 It is the further intent of the Parties that this Agreement will fully resolve any and all  
26 audit findings or other claims, actual or potential, now or hereafter arising, relating to the  
27 District's instructional minutes during the 2003-2004 and 2005-2006 school years.  
28

**RECITALS**

- A. The District's independent auditor conducted a financial and compliance audit of the District for the fiscal year ended June 30, 2006, and, thereafter, issued an Audit Report.
- B. The Audit Report, as certified by SCO, contains Audit Finding 06-03, which reports that, during the 2005-2006 school year, the District's Rancho-Starbuck Intermediate School campus fell short of the 60,376 instructional minutes required in that school year under the terms of a waiver previously approved on March 14, 2005 by the California Department of Education. A true and correct copy of Audit Finding 06-03 is attached hereto and incorporated herein as Exhibit "A." As a result of this shortage, the District is potentially subject to a monetary penalty of \$50,478. The penalty sum was set forth in Audit Finding 04-04, which was contained in the final Audit Report for the District's financial and compliance audit for the fiscal year ended June 30, 2004. A true and correct copy of Audit Finding 04-04 is attached hereto and incorporated herein as Exhibit "B."
- C. The Parties acknowledge that the District cannot avail itself of the waiver provisions of Education Code Section 46206 for Audit Finding 06-03.
- D. The District timely filed an audit appeal of Audit Finding 06-03 pursuant to Education Code Section 41344.
- E. This Agreement is subject to approval of the Education Audit Appeals Panel, pursuant to Education Code Section 41344.1(b).

**NOW, THEREFORE**, in consideration of the mutual promises contained herein and for good and valuable consideration, the receipt and sufficiency which is hereby acknowledged, the Parties agree as follows:

**1.0 Agreement:**

1.1 For the sole purpose of effecting a compromise of this action and to avoid the uncertainty of litigation, the SCO, DOF, and the District agree that the District will return the questioned funds as set forth in the above-referenced Audit Findings 04-04 and 06-03 (i.e. in the

1 amount of \$50,478), with repayment made in eight (8) equal annual installments from future  
2 ADA funding by the State of California to the District, as follows:

- 3 1. 2008-2009: 6309.75.
- 4 2. 2009-2010: 6309.75.
- 5 3. 2010-2011: 6309.75.
- 6 4. 2011-2012: 6309.75.
- 7 5. 2012-2013: 6309.75.
- 8 6. 2013-2014: 6309.75.
- 9 7. 2014-2015: 6309.75.
- 10 8. 2015-2016: 6309.75.

11 1.2 No interest will be charged by the State of California, or by any of its constituent  
12 agencies, for the amounts specified under the terms of this Agreement.

13 1.3 Except as set forth herein, the District shall incur no fiscal penalty or other loss of  
14 funding resulting from Audit Findings 04-04 or 06-03.

15 1.4 This Agreement shall fully resolve any and all claims, demands, audit findings,  
16 obligations, and/or causes of action, now or hereafter arising, relating to the District's  
17 instructional minutes during the 2003-04 and 2005-06 school years identified in Audit Findings  
18 04-04 and 06-03.

19 1.5 The District shall make every effort to repay the outstanding balance in less than  
20 eight years to the extent that the District's financial situation improves.

21 1.6 The DOF and SCO expressly waive any right or claim or claim or right to assert  
22 hereafter any claim, demand, audit finding, obligation and/or cause of action relating to the  
23 District's instructional minutes during the 2003-04 and 2005-06 school years identified in Audit  
24 Findings 04-04 and 06-03 other than any right or claim to enforce this Agreement.

25 1.7 The District expressly waives any right or claim or claim or right to assert  
26 hereafter any claim, demand, audit finding, obligation and/or cause of action relating to the  
27 District's instructional minutes during the 2003-04 and 2005-06 school years identified in Audit  
28 Findings 04-04 and 06-03 other than any right or claim to enforce this Agreement.

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Dated: \_\_\_\_\_

DEPARTMENT OF FINANCE  
By: Original Signed  
Eric Bates, Esq.

Dated: 7/2/08

OFFICE OF THE STATE CONTROLLER  
By: Original Signed  
Gary Hori, Esq.

Dated: 7/2/08

LOWELL JOINT SCHOOL DISTRICT  
By: Original Signed  
Joshua Morrison, Esq.

# Exhibit "A"

**LOWELL JOINT SCHOOL DISTRICT**

**COUNTY OF LOS ANGELES**

**WHITTIER, CALIFORNIA**

**AUDIT REPORT**

**FISCAL YEAR ENDED JUNE 30, 2006**

**LOWELL JOINT SCHOOL DISTRICT**

**Whittier, California**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
AND SUPPLEMENTARY INFORMATION**

*Fiscal Year Ended June 30, 2006*

LOWELL JOINT SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2006

06-03 Instructional Time Offered Did Not Meet The Minimum Requirement (40000)

Condition

During the test of Instructional Time procedures, it was noted that the instructional minutes offered in grade 7 through 8 was calculated to be 60,156 minutes, which was 220 minutes lower than the minimum requirement as of 60,376 minutes, the minutes required by the waiver issued by the California Department of Education (CDE) in March 2005.

Criteria

Per the waiver issued by CDE dated March 14, 2005, CDE approved the waiver with the conditions that the district maintains increase instructional time at Rancho-Starbuck Intermediate School in grades 7 through 8 from the required 59,500 minutes per year to 60,376 minutes per year (59,500 plus the 876 minutes short) for a period of two years beginning in 2005-2006 and continuing through 2006-2007, and report the increase in its yearly audits.

Effect

The District is not complying with the waiver issued by CDE on March 14, 2005 and may be required to pay a penalty of \$50,477.871 as stated in the waiver.

Recommendation

The District should revisit the school's bell schedule to ensure that the instructional minutes offered would at least meet the minimum requirement set by the CDE. In addition, the District should contact the Waiver Office regarding the possibility that the funds may be required to be returned to the CDE.

District Response

The District calculation excluded a four-minute passing period prior to the lunch period which then included a five-minute passing period towards instructional minutes. Independent auditor's calculations excluded the five-minute passing period and included the four minute passing period toward instructional minutes. This resulted in a loss of 180 instructional minutes. The District believes these 180 minutes should be allowed toward instructional minutes. The last day of school incorrectly included a 40 minute lunch period toward instructional minutes.

The District acknowledges it mistakenly offered 40 minutes lower than the waiver approved minimum of 60,376. The District schedule for 2006/07 offers 61,084 instructional minutes, which is 708 minutes above the minimum required amount of 60,376. The District will submit a waiver to the California Department of Education requesting an allowance to make-up this shortfall in the 2006/07 instructional year.

# Exhibit "B"

LOWELL JOINT SCHOOL DISTRICT

Whittier, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
AND SUPPLEMENTARY INFORMATION

*Fiscal Year Ended June 30, 2004*

*QUEZADA & COMPANY  
Certified Public Accountants  
222 E. Huntington Drive, Suite 215  
Monrovia, CA 91016*

**LOWELL JOINT SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2004**

**Recommendation**

Periodic financial statements of budgeted and actual revenues and expenditures should be prepared and reviewed by appropriate management.

**District Response**

The District will prepare periodic financial statements of budgeted and actual revenues and expenditures to be reviewed by the student governing body.

**Section III – Federal Award Findings**

No matters were reported.

**Section IV – State Findings**

**04-3 Attendance Reporting (10000)**

**Condition**

During the test of attendance procedures at El Portal Elementary School, it was noted that out of the 216 days (12 students x 18 days) tested, 5 days do not have adequate supporting documentation of excused absences, such as excuse note or phone log.

**Criteria**

The local education agency should maintain sufficient records in the form of notes, logs, or other records concerning verification of absences.

**Recommendation**

The District should enforce the policy regarding maintaining sufficient records in the form of notes, logs, or other records concerning verification of absences as required by the California Department of Education.

**District Response**

The District will review the compulsory education requirements with all schools and the need to have adequate supporting documentation for excused absences.

**04-4 Instructional Time (40000)**

**Condition**

During the test of Instructional Time procedures, it was noted that the instructional minutes offered in grade 7 through 8 was calculated to be 58,624 minutes, which was 876 minutes lower than the minimum requirement as of 59,500 minutes, the actual minutes offered in 1982-83.

**Criteria**

Per *Education Code Sections 46201 through 46206*, the 1983 Education Reform Act established financial incentives for school districts that offer at least a specified minimum number of instructional minutes per year. The 1983 Act specified 1982-1983 as the base year for annual minutes requirements. If a district offered less than the statutorily specified number of

LOWELL JOINT SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 FISCAL YEAR ENDED JUNE 30, 2004

instructional minutes that year, it had to increase its instructional time to at least the statutory minimum in subsequent years to qualify for incentive funding.

**Recommendation**

The District should ensure that the instructional minutes offered should at least meet the minimum requirement set by the California Department of Education. In addition, the District should contact the California Department of Education regarding the possibility of obtaining a waiver or the possibility that the funds may be required to be returned to the California Department of Education.

	1986-87 Minute Requirement	1982-83 Actual Minutes	2003-04 Actual Minutes	Minutes Under the Minimum	Estimated Penalty
Rancho Starbuck Intermediate School Grade 7 through 8	54,000	59,500	58,624	876	\$ 50,478

**District Response**

The District will make adjustments to the Rancho-Starbuck bell schedule effective January 3, 2005 to ensure the 2004-05 instructional minutes meets the required level. The District will also pursue filing a waiver with the California Department of Education to obtain relief from the financial penalties.

**04-5 Gann Limit Calculation (40000)**

**Condition**

The information of prior year P2 ADA used by the District to prepare 2003 School District Appropriations Limit Calculations was incorrect.

**Criteria**

The data used by the district should be accurate, ensuring that the "Prior Year Gann ADA" used by the district matches the data on the 2003-2004 appropriations limit calculation previously submitted to the state.

**Recommendation**

The District should ensure that accurate prior year P2 ADA data is used to prepare 2003 School District Appropriations Limit Calculations.

**District Response**

The District will contact the California Department of Education to inform them that the District is eligible for two (2) days under the Instructional Time and Staff Development Reform Program.