

**Education Audit Appeals Panel  
State of California**

Appeal of 2007-08 Audit Findings 08-29,  
08-31, 08-36, 08-40, 08-43, 08-46, 08-51  
and 08-52 by:

Oakland Unified School District,  
Appellant.

EAAP Case No. 11-16  
OAH No. 2011120017

**Decision**

The Education Audit Appeals Panel has adopted the attached Stipulation and Settlement Agreement Regarding Audit Finding 08-43 of the parties as its Decision in the above-entitled matter. This matter is now fully resolved.

Effective date: March 25, 2013.

IT IS SO ORDERED.

March 25, 2013  
Date

*Original Signed*  
David Botelho, Chairperson  
for Education Audit Appeals Panel

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9 *UNIFIED SCHOOL DISTRICT*

10 BEFORE THE  
11 EDUCATION AUDIT APPEALS PANEL  
12 STATE OF CALIFORNIA

13 **APPEAL OF FISCAL YEAR 2007-08**  
14 **AUDIT FINDINGS 08-29, 08-31, 08-36, 08-**  
15 **40, 08-43, 08-46, 08-51, & 08-52 by**  
16 **OAKLAND UNIFIED SCHOOL**  
17 **DISTRICT,**

Case No. EAAP 11-16; OAH 2011120017

**STIPULATION AND SETTLEMENT**  
**AGREEMENT REGARDING**  
**AUDIT FINDING 08-43**

18 Appellant,

19 v.

20 **OFFICE OF THE STATE CONTROLLER,**

21 Respondent,

22 **DEPARTMENT OF FINANCE,**

23 Intervenor.

24 Appellant Oakland Unified School District (“District”), Respondent Office of the State  
25 Controller (“Controller”), and Intervenor California Department of Finance (“Finance”) agree to a  
26 complete resolution of District’s appeal of Audit Finding 08-43 in the Controller’s Audit Report  
27 for fiscal year ended June 30, 2008.

1 **STATEMENT OF FACTS**

2 1. Pursuant to Senate Bill 39 (Stats. 2003, ch. 14, eff. June 2, 2003), the District  
3 received emergency funds from the Legislature and was placed under state-administration at the  
4 direction of the California Department of Education. Among the other provisions pursuant to  
5 Senate Bill 39, the Controller was mandated to conduct the annual financial and state compliance  
6 audit of the District for fiscal year ended June 30, 2008 and subsequently issued an Audit Report.

7 2. The Audit Report contained, among things, 55 Audit Findings. The District appealed  
8 eight of these Audit Findings, namely, 08-29, 08-31, 08-36, 08-40, 08-43, 08-46, 08-51,  
9 and 08-52.

10 3. The District, Controller, and Finance agreed on settlements for seven of the disputed  
11 Audit Findings, namely, 08-29, 08-31, 08-36, 08-40, 08-46, 08-51, and 08-52. This Settlement  
12 Agreement was approved by the Education Audit Appeals Panel (“Panel”) on January 28, 2013.

13 4. Audit Finding 08-43 determined that there were excess administrators under the ratio  
14 of administrator-to-teacher requirements set forth in Education Code section 41402 and assessed  
15 a disallowance of \$5,181,800. In making this determination, the Controller’s auditors relied upon  
16 the information the District provided to them before Finding 08-43 was finalized, including the  
17 California School Accounting Manual “object codes” that the District assigned to its certificated  
18 employees for school year 2007-08. Finding 08-43 (including the associated disallowance) is  
19 therefore based on the auditors’ review of information provided by the District.

20 5. The District timely submitted its appeal of this remaining Audit Finding to the Panel  
21 on September 19, 2011.

22 6. Controller is a mandatory party in the District’s appeal and Finance moved to  
23 intervene on December 14, 2011. Finance’s motion to intervene was granted on January 3, 2012.

24 7. The Panel referred the District’s appeal to the Office of Administrative Hearings for  
25 hearing before an administrative law judge.

26 8. A six-day hearing of the District’s appeal of Audit Finding 08-43 was conducted and  
27 completed on January 25, 2013.



1 employees; and (3) records are created and maintained to show that District  
2 employees provide direct instruction to students; and

3 d. The District further acknowledges that (1) for school year 2007-08, the  
4 California School Accounting Manual was an acceptable source to use in  
5 auditing the District's ratio of administrative employees-to-teachers;  
6 (2) that the District should have included all 2,513.13 certificated employee  
7 full-time equivalents in its calculation and did not; (3) that the District is  
8 obligated to maintain auditable records to support its administrative  
9 employees-to-teachers ratio calculation and make the same available to  
10 auditors and that it did not do either for the 2007-08 school year; and  
11 (4) that the District was obligated to accurately assign "object codes" to  
12 the 2,513.13 certificated employee full-time equivalents per the California  
13 School Accounting Manual for the 2007-08 school year and the District was  
14 unable to provide the auditors with auditable records that showed that those  
15 codes were not accurately assigned for the 2007-08 school year.

16 2. This Agreement shall fully resolve and/or cause to resolve any and all demands,  
17 appeals, obligations, and/or causes of action, now and hereafter arising, relating to the alleged  
18 violations of law identified in Audit Finding 08-43 in the Controller's Audit Report of the  
19 District of the fiscal year ended June 30, 2008. No portion of this Agreement constitutes an  
20 admission by any party with respect to an audit finding for any other audit year, and no portion  
21 of this Agreement shall foreclose, limit, restrict or otherwise prejudice the arguments that may  
22 be made by any party in a dispute, including in a formal appeal to the Panel, over an audit  
23 finding for any other audit year.

24 3. The Controller, Finance, and District expressly waive any right or claim or  
25 right to assert hereafter any claim, demand, audit finding, obligation, and/or cause of  
26 action relating to the alleged violation of law relating to the alleged violations of law  
27 identified in Audit Finding 08-43 in the Controller's Audit Report of the District of the  
28 fiscal year ended June 30, 2008.

1 Dated: 2/14/2013

OAKLAND UNIFIED SCHOOL DISTRICT

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By: Original Signed  
RICHARD C. MIADICH  
Olson Hagel & Fishburn LLP  
Attorneys for Oakland Unified School District

By: Original Signed  
JACQUELINE P. MINOR  
General Counsel  
Oakland Unified School District

Dated: 2/14/2013

OFFICE OF THE STATE CONTROLLER

By: Original Signed  
GARY D. HORI  
Attorney  
Office of the State Controller

Dated: 2/25/2013

DEPARTMENT OF FINANCE

By: Original Signed  
NICK SCHWEIZER  
Program Budget Manager  
Department of Finance

Dated: 2/25/2013

DEPARTMENT OF FINANCE

By: Original Signed  
SUSAN J. KING  
Deputy Attorney General  
Attorney for Department of Finance  
*AS TO FORM ONLY*