

**Education Audit Appeals Panel
State of California**

Appeal of 2005-06 Audit Finding 06-1 by:

EAAP Case No. 07-12

Pathways Charter School,

OAH No. 2008031046

Appellant.

Decision

The Education Audit Appeals Panel has adopted the attached Stipulation, Agreement and Proposed Decision of the parties as its Decision in the above-entitled matter with the proviso that no finding of substantial compliance has been made.

Effective date: 12-16-08.

IT IS SO ORDERED.

12-16-08

Date

Original Signed

Diana L. Ducay, Chairperson
for Education Audit Appeals Panel

ORIGINAL

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

12 **In the Matter of the Audit Appeal by:**
13
14 **PATHWAYS CHARTER SCHOOL,**
15 **Appellant.**

EAAP Case No. 07-12
OAH Case No. 2008031046
**STIPULATION,
AGREEMENT AND
PROPOSED DECISION**

17 Appellant Pathways Charter School (School), respondent John Chiang, the California State
18 Controller's Officer (SCO), and intervenor Department of Finance (DOF) agree to a complete
19 resolution of Audit Finding 06-1 for the Fiscal Year 2005-2006 as follows:

20 **RECITALS**

21 A. The independent accounting firm of Stephen Roatch Accountancy Corporation
22 (Stephen Roatch) conducted an audit of the School for the 2005-06 fiscal year, the results of which
23 were included in the audit report issued on approximately December 6, 2006.

24 B. In Audit Finding No. 06-1, Stephen Roatch determined:

25 The Charter School's written policies adopted for independent study
26 do not meet all of the requirements of Education Code Section 51747.
27 Accordingly, the Charter School did not comply with the
requirements that must be satisfied in order to be eligible to receive
apportionment for independent study attendance.

28 (Audit Report, at p. 24.)

1 C. Stephen Roatch concluded that the effect of Audit Finding No. 06-1 was that:
2 "Although the Charter School's Board policy did not comply with all of the requirements of
3 Education Code Section 51747, the Charter School complied with all other independent study
4 program compliance requirements." (Audit Report, at p. 24.) Stephen Roatch determined that the
5 failure of compliance resulted in questioned costs of \$3,528,697, the total general purpose
6 entitlement funding amount apportioned to the School based on the School's ADA reported on the
7 P-2 attendance report for fiscal year 2005-2006.

8 D. The SCO certified the Stephen Roatch Audit.

9 E. The School disputed the determination set forth in Audit Finding No. 06-1 and
10 requested a summary review with the Education Audit Appeals Panel (EAAP) on approximately
11 July 2, 2007. Following EAAP's completion of the summary review process, the School timely
12 filed a formal appeal on approximately March 21, 2008.

13 F. The School represents that it substantially complied with all legal requirements
14 relating to the audit findings.

15 G. DOF timely moved to intervene in the instant EAAP proceeding, which motion was
16 granted.

17 **AGREEMENT**

18 For the purpose of completely settling and resolving the appeal of Audit Finding No. 06-1,
19 the School, SCO, and DOF agree as set forth below:

20 1. This stipulation and proposed decision fully and completely resolves all claims,
21 demands, appeals, obligations, or causes of actions arising from or relating to Audit Finding No.
22 06-1 of the Stephen Roatch Audit of the School for the 2005-06 fiscal year. Accordingly, DOF and
23 SCO expressly waive any right or claim or right to assert or pursue thereafter any claim, demand,
24 obligation, and/or cause of action relating to Audit Finding No. 06-1.

25 2. The questioned costs determined in Audit Finding No. 06-1 shall be reduced from
26 \$3,528,697 to \$500,000.

27 3. Repayment of even the reduced \$500,000 questioned costs in a single fiscal year
28 would constitute a severe financial hardship for the School. Accordingly, the School, SCO, and

1 DOF agree that the School will repay the \$500,000 in eight annual installments from future principal
2 apportionment funding by the State of California to the School, as follows:

3	a.	2009-2010	\$62,500
4	b.	2010-2011	\$62,500
5	c.	2011-2012	\$62,500
6	d.	2012-2013	\$62,500
7	e.	2013-2014	\$62,500
8	f.	2014-2015	\$62,500
9	g.	2015-2016	\$62,500
10	h.	2016-2017	\$62,500

11 4. The State of California will not charge the School any interest for the amounts
12 specified in paragraph 3 above under the terms of this stipulation.

13 5. This stipulation and proposed decision is subject to and conditioned upon ratification
14 by the School's Governing Board of Directors.

15 6. This stipulation and proposed decision is subject to and conditioned upon approval
16 and adoption by EAAP, pursuant to Education Code, section 41344.1, subdivision (b). This
17 stipulation and proposed decision shall be submitted to EAAP for approval following ratification
18 by the School's Governing Board of Directors.

19 7. This stipulation and proposed decision may be executed in counterparts, each of
20 which shall constitute an original. Facsimile signatures transmitted to other parties to this stipulation
21 and proposed decision are deemed to be the equivalent to original signatures on counterparts.

22 Dated: 20 Nov, 2008

Original Signed

LISA CORR, ESQ.
Spector, Middleton, Young and Minney, LLP
Attorneys for Appellant
Pathways Charter School

23 Dated: 20 Nov, 2008

Original Signed

Ben Ford
President
Pathways Charter School Board of Directors

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Dated: 11/20, 2008

Original Signed
GARY HORI, ESQ.
Staff Counsel
Attorney for Respondent
John Chiang, State Controller

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

Dated: 12/1, 2008

Original Signed
ROY S. LIEBMAN
Deputy Attorney General
Attorneys for Intervenor
Department of Finance

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