STATE OF NEBRASKA
ATTESTATION REVIEW
OF THE
OGALLALA PUBLIC SCHOOL DISTRICT
PAYMENTS TO ALTERNATIVE LEARNING LANE, INC.

SEPTEMBER 1, 2007, THROUGH AUGUST 31, 2008

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Issued on September 3, 2009

OGALLALA PUBLIC SCHOOL DISTRICT
ATTESTATION REVIEW

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Independent Accountant's Report

Citizens of the State of Nebraska:

We have reviewed the Ogallala Public School District's (OPSD) contracts with and payments to Alternative Learning Lane, Inc. (ALL) for the period of September 1, 2007, through August 31, 2008. OPSD's management is responsible for the contracts with and payments to ALL. We did not obtain a written assertion regarding such matters from management.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on OPSD's contracts with and payments to ALL. Accordingly, we do not express such an opinion.

Based on our review, the items noted in the Summary of Results section of the report caused us to believe that OPSD's contracts with and payments to ALL are not presented, in all material respects, in conformity with the criteria set forth in the Criteria section.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to OPSD's contracts with and payments to ALL and any fraud and illegal acts that are more than inconsequential that come to our attention during our review. We are also required to obtain the views of management on those matters. We did not perform our review for the purpose of expressing an opinion on the internal control over OPSD's contracts with and payments to ALL or on compliance and other matters; accordingly, we express no such opinions.

Our review disclosed certain findings that are required to be reported under *Government Auditing Standards* and certain other matters. Those findings, along with the views of management and the identification of significant deficiencies and material weaknesses, are described below in the Summary of Results. A significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria or framework such that there is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the subject matter will not be prevented or detected.

This report is intended solely for the information and use of the Citizens of the State of Nebraska, management of OPSD, others within OPSD, and the appropriate State, Federal, and regulatory agencies; however, this report is a matter of public record, and its distribution is not limited.

Signed Original on File

Mike Foley Auditor of Public Accounts	Mary Avery Special Audits and Finance Manager	Sandra Steinbrecher Audit Manager

September 3, 2009

Background

The Ogallala Public School District (OPSD) is a kindergarten through twelfth grade (K-12) public school district located in Ogallala, Nebraska, with approximately 1,025 enrolled students. OPSD is primarily funded by tax revenues and Federal/State government agencies' programs/grants. A six-member, publicly-elected Board is responsible for implementation of State of Nebraska education policies. The Board employs a Superintendent to whom it assigns day-to-day management of OPSD.

School Board:

- Michael J. McQuillan, President
- Cindi Allen, Vice President
- Bill Redinger
- Jim Ayres
- Teena Most
- Todd Neill

OPSD Superintendent – Carl Dietz
OPSD Student Services and Special Education Director (SPED Director) – Pat Skinner (retired following the 2008-2009 school year)

The Individuals with Disabilities Education Act (IDEA) is a Federal law, codified at 20 U.S.C. § 1400 et seq., ensuring services to children with disabilities throughout the United States. IDEA governs how states and public agencies provide early intervention, special education, and related services to eligible children with disabilities. Children and youth (ages 3-21) receive special education and related services under IDEA Part B.

At the State level, the Special Education Act (Act), found at Neb. Rev. Stat. §§ 79-1110 to 79-1167 (Reissue 2008), was adopted in 1987. The intent of the Act, as explained in Neb. Rev. Stat. § 79-1111 (Reissue 2008), is to ensure "that all children in the State of Nebraska, regardless of physical or mental capacity, are entitled to a meaningful educational program." Neb. Rev. Stat. § 79-1160 (Reissue 2008) directs the Nebraska Department of Education to "adopt, promulgate, and publish rules and regulations necessary to carry out the Special Education Act." Those rules and regulations are set out primarily at Title 92 Nebraska Administrative Code (NAC) Chapter 51. Therein, at Title 92 NAC 51-003.63, "special education" is defined, in language mirroring that found at Neb. Rev. Stat. § 79-1125 (Reissue 2008), as follows:

> *"Special education means specially designed instruction, at no cost to the parent, to meet the unique needs of a child with a verified disability, including classroom instruction, home instruction, instruction in hospitals and institutions and in other settings and instruction in physical education. The term includes travel training, vocational education, speech-language pathology, occupational therapy, and physical therapy if the service consists of specially designed instruction, at no cost to the parents, to meet the unique needs of a child with a disability."*

During communication with the Nebraska Department of Education, the APA was informed that on March 11, 2009, the Nebraska Department of Education, Accreditation and School Improvement area had sent a letter to OPSD regarding accreditation issues, contracting with private vendors, and teacher certifications. See **Exhibit 10** for a copy of the letter.

In February 2001, OPSD entered into a written agreement with Alternative Learning Lane, Inc. (ALL), an off-site, privately-owned corporation, to provide OPSD with a computer-delivered "alternative education" program for OPSD students who were not having success in a traditional school environment and/or were "at risk" for dropping out of school or not being successful in the traditional school environment. ALL student education is provided through the PLATO Individual Learning Program (PLATO), an individually-paced instructional software curriculum, rather than traditional interactive classroom instruction. The original agreement was extended and subsequent agreements followed. See **Exhibits 2, 3, and 4** for copies of the agreements.

The ALL Articles of Incorporation were filed with the Nebraska Secretary of State on January 17, 2001, designating Jeannine J. Lane as the incorporator, registered agent, president, secretary,-treasurer, and director of the company. The purposes of the corporation are listed as: (a) to establish an alternative educational program for students who are not having success in school and are identified as "at risk" for dropping out of school or not being successful in normal school work and to carry on all other business incidental thereto in their community; (b) to engage in any other business or operation which may be reasonably necessary, useful, or advantageous to the Corporation; and (c) to have all corporate powers provided under the Nebraska Business Corporation Act. The principal street address of ALL is 401 North Spruce Street, Ogallala, Nebraska 69153. See **Exhibit 5** for a copy of the ALL Articles of Incorporation.

Review of the Nebraska Secretary of State's corporate filings also noted Jeannine J. Lane as the incorporator of the following other corporations with the same address:

Corporate Name	Date Articles Filed	Corporate Purpose	Principal Office
JJL, Inc.	May 9, 2005	Wellness and Education	401 N. Spruce Street, Ogallala, NE 69153
JJJ, Inc.	August 29, 1988	Buy, Sell, Repair, & Store Boats & Motor Vehicles and sell petroleum products & related parts	401 N. Spruce Street Ogallala, NE 69153
Balancing Body Mind, and Spirit, Inc.	April 7, 2006	Promote interests of at-risk youth through intensive programs in the areas of physical, mental, & emotional wellness	401 N. Spruce Street Ogallala, NE 69153

BSM, Inc.	January 12, 2006	Purchase, lease, hold, acquire, own, sell, mortgage & convey real estate and personal property	401 N. Spruce Street Ogallala, NE 69153
BLJ, Inc.	October 8, 2003	Establish and conduct an alternative educational program	401 N. Spruce Street Ogallala, NE 69153

In addition, on April 3, 2008, Jeannine J. Lane registered the trade name of "Lanes to Success" for a wellness and education business, having established the first use of that name in Nebraska on June 1, 2007.

On August 3, 2009, Auditor of Public Accounts (APA) staff spoke with Jeannine J. Lane, who, in summary, indicated the following:

- ALL has contracted with two other Nebraska public schools in addition to OPSD: Hershey Public School District for PLATO software and Valentine Public School District for alternative education services similar to those provided to OPSD, with Valentine Public School District providing its own facilities and staff, and ALL serving as program "facilitator." Ms. Lane further stated she has no knowledge of how the Valentine program is funded or whether any of the students are special education students.
- ALL served as a program facilitator for OPSD's alternative education program, with ALL staff acting in supervisory capacity similar to para-educators. Ms. Lane further stated that Pat Skinner, ex-OPSD SPED Director, was responsible for oversight of the OPSD program being carried out by ALL. Ms. Lane also indicated that, for the first 2 ½ years of OPSD's program, Ms. Skinner and several other OPSD staff were physically located in the ALL office building with direct oversight.
- ALL was an off-site facility considered OPSD's "South Campus." Furthermore, ALL made no decisions about student enrollment, the offered program, awarding of student credit hours, etc.
- Ms. Lane was adamant that ALL was not required to have certified teachers, including teacher(s) with specific special education endorsements. In response to the section of the original ALL/OPSD contract requiring "teachers employed by ALL shall have and maintain current teaching certificates issued by the Nebraska Department of Education," Ms. Lane continued to assert that was not the <u>intention</u> of the School Board at that time and was never a criteria or decision-making factor in the contract. Ms. Lane again continued to assert ALL was not required to have certified teachers because ALL was "facilitating" rather than teaching OPSD students.
- The demographics of students participating in the program have changed from the beginning of the program in 2001 with more low-income participants.
- Ms. Lane has never conducted an Individual Education Program (IEP). Ms. Lane has, however, sat in on IEP meetings when requested and has signed IEP attendance forms when and where instructed to do so by OPSD staff.
- Ms. Lane has received a few copies of student IEPs but generally does not know which students attending ALL are IEP students.

- Ms. Lane has no knowledge of how OPSD has coded and claimed reimbursement for its ALL expenditures.
- Ms. Lane stated her recent hire of a certified teacher with a Special Education endorsement was done in anticipation of moving forward/outsourcing ALL services to other schools and Educational Service Units (ESUs).
- Ms. Lane stated that, in the future, she would seek rate approval from the Nebraska Department of Education if she contracted with any other Nebraska public schools or ESUs.

Criteria

The criteria used in this attestation review were Nebraska State Statutes, Nebraska Department of Education rules and regulations, good internal controls, and sound accounting and business practices.

Summary of Procedures

Pursuant to Neb. Rev. Stat. § 84-304 (Reissue 2008), the Auditor of Public Accounts (APA) conducted an attestation review of OPSD's contracts with and payments to ALL for the period of September 1, 2007, through August 31, 2008, in accordance with standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The APA's attestation review consisted of the following procedures:

1. Reviewed OPSD's Board meeting minutes from the school's website (http://athena.esu16.org:16080/~opsco/boardhome.htm#minutes) for a general understanding of operations and issues.
2. Reviewed information provided to students/parents regarding OPSD's alternative education program for a general understanding of program operations.
3. Reviewed OPSD's general ledger information documenting payments to ALL since inception of contract.
4. Reviewed the Nebraska Department of Education 2008 Program Budgeting, Accounting, and Reporting System for Nebraska School District Users' Manual for general accounting instructions and coding.
5. Reviewed contract documents/agreements between OPSD and ALL.
6. Reviewed business/corporation filings with the Nebraska Secretary of State for ALL, as well as other corporate filings of owner, Jeannine J. Lane, for informational purposes.
7. Reviewed Nebraska State Statutes, Nebraska Department of Education Rules and Regulations, and Federal requirements related to Special Education (SPED) and Individuals with Disabilities Education Act (IDEA) funding and teacher certification.
8. Reviewed legal correspondence related to issues of the ALL contract and the sources and uses of special education funding.
9. Reviewed certification of all known ALL instructors.
10. Reviewed summary of student scholastic credits for ALL alternative education participations for the 2007-2008 school year.

Summary of Results

The summary of our attestation review noted the following findings and recommendations:

1. ALL Agreements for Alternative Education

The Nebraska Department of Education's regulations and procedures for the accreditation of schools are found at Title 92 NAC Chapter 10. Pursuant to Title 92 NAC 10-004.04D, school districts are allowed to utilize, in addition to traditional on-site learning, a variety of multi-site and distance learning options for providing high school courses. Title 92 NAC 10-004.04D2 specifically provides for an asynchronous course option in which communication between teacher and student is delayed, as in the case of many computer-delivered courses. Sound business practices require that any agreement for the provision of on-going services be evidenced by a comprehensive written contract specifying all of the rights, responsibilities, terms, and conditions stipulated by the parties thereto, including the services to be provided, rates or charges to be incurred, time frame of execution, and end or termination date. Moreover, such written document should be operational prior to either the provision of or payment for the agreed upon services. This finding is a significant deficiency.

During review of agreements entered into by OPSD and ALL, the following was noted:

- In February 2001, OPSD entered into a written agreement with ALL; See **Exhibit 2**. Section 4 (page 2) of that agreement states, "ALL shall employ teachers to assist students with the PLATO curriculum… Teachers employed by ALL shall have and maintain current teaching certificates issued by the Nebraska Department of Education."
- In February 2003, the original agreement was amended. The resulting document was radically different from the 2001 agreement, particularly in the area of the responsibilities and obligations of the parties. Among the changes was the replacement of language previously requiring the certification of ALL teachers with a provision requiring instead that ALL simply perform its work "in a good and workmanship-like manner" **Exhibit 3** (Page 3, Paragraph 2).
- A third agreement was entered into in January 2004. In addition to retaining the language requiring ALL work to be performed "in a good and workmanship-like manner," it also provided for a "minimum time of one school year notification of the other party" prior to alteration or termination of the agreement (Page 3, Section 10). The third agreement terminated on the last day of the spring school term ending in May 2005. See **Exhibit 4**.
- On July 20, 2009, OPSD served ALL with notice that it was immediately terminating its agreement effective July 21, 2009, due to breach of contract. See **Exhibit 9**.
- No subsequent written agreement has been entered into between OPSD and ALL. Nevertheless, more than four years after the expiration of the last agreement, ALL continues to provide its "alternative education" program to OPSD and to receive compensation from the school district for its services.
- For the 2007-2008 school year, OPSD paid $306,795 to ALL. That payment included $90,000 for "transition services," as well as payment for computer user charges. Title 92 NAC 51-003.70 defines "transition services" as follows:

> *"Transition services means a coordinated set of activities for a student with a disability that is designed to be within a results-oriented process that is focused on improving the academic and functional achievement of the child with a disability to facilitate the child's movement from school to post-school activities, including post-secondary education, vocational training, integrated employment (including supported employment), continuing and adult education, adult services, independent living, or community participation; is based upon the individual student's needs, taking into account the child's strengths, preferences, and interests; and includes instruction, related services, community experiences, the development of employment and other post-school adult living objectives, and, when appropriate, acquisition of daily living skills and a functional vocational evaluation. Transition services for students with disabilities may be special education, if provided as specially designed instruction, or related services, if required to assist a student with a disability to benefit from special education."*

Neither the "transition services" nor the computer user charges were addressed in any of the written agreements between OPSD and ALL. There appears to be no current written contract in place for any of these services.

- ALL is <u>not</u> an interim-program school (a non-public school education program created to ensure continuity of instruction for students who cannot attend public schools for reasons of health or safety) or service agency (a school district, educational service unit, local or regional office of mental retardation, or some combination thereof approved by the Nebraska Department of Education to provide special education programs) with program and rates approved by the Nebraska Department of Education.
- OPSD was accredited by the Nebraska Department of Education. OPSD approved all academic credit hours earned by students in the ALL alternative education program, essentially accepting responsibility for the overall operation of the program.
- On April 14, 2009, the OPSD Board notified Jeannine J. Lane, owner of ALL, of its intention to terminate, following the upcoming 2009-2010 school year, the informal arrangement under which ALL has been providing alternative education services to the school district following the termination of the third and final written agreement between the parties in 2005.
- From the inception of the 2001 agreement through August 31, 2008, the School District paid $1.4 million to ALL; See **Exhibit 1**.

> In the future, any service agreement entered into by OPSD should be evidenced by a written contract specifying all rights, responsibilities, terms, and conditions stipulated by the participating parties. Furthermore, such agreement should be operational prior to either the provision of or payment for the agreed upon services. OPSD needs to continually monitor all of their contracts appropriately.

OPSD's Response: See immediately following Finding 4.

2. Teacher Certification

In Title 92 NAC 10-003.01, the Nebraska Department of Education requires that school systems "use only persons certificated pursuant to 92 NAC 21 to be a teacher or administrator." Title 92 NAC 21 outlines Nebraska Department of Education requirements related to the issuance of certificates and permits to teach, provide special services, and administer in Nebraska schools. Title 92 NAC 21-002.22 defines "teaching" as follows:

"Teaching shall mean and include, but not be limited to, the following responsibilities: (a) The organization and management of the classroom or the physical area in which the learning experiences of pupils take place; (b) the assessment and diagnosis of the individual educational needs of the pupils; (c) the planning, selecting, organizing, prescribing, and directing of the learning experiences of pupils; (d) the planning of teaching strategies and the selection of available materials and equipment to be used; and (e) the evaluation and reporting of student progress."

Lastly, Title 92 NAC 51-010.01A, which falls under the Nebraska Department of Education's regulations and standards for "Qualifications of Special Education Personnel for Program Approval and Reimbursement," requires instructional personnel for children with disabilities to hold valid Nebraska Department of Education certification and be endorsed in their assigned areas.

During review of certification of ALL teachers known to the OPSD administration, the following was noted:

- ALL teachers provided by OPSD:
    1) Tracy O'Connor
    2) Cheryl Baker
    3) Jeannine J. Lane
    4) Tim Moore
- ALL "teachers" effectively function as classroom monitors rather than provide actual student instruction.
- OPSD lacked procedures to ensure compliance with agreement provisions, as well as OPSD expectations that ALL teachers would be certified by the Nebraska Department of Education.
- No evidence was found that ALL teachers were certified with the Nebraska Department of Education consistently since agreement inception.
- No evidence was found that ALL employed a certified teacher *with a special education endorsement* until late in the 2008-2009 school year.
- A March 25, 2008, Individual Education Program (IEP) document was signed by Jeannine J. Lane, owner of ALL, identifying her as a "regular education teacher." An IEP is a written statement for a child with a verified disability that is developed, reviewed, and revised in a meeting which specifies the special education and related services necessary to assure the child a free appropriate public education. The Nebraska Department of Education certification of Jeannine J. Lane expired August 31, 2003, approximately 4 ½ years prior to the date of the IEP conference in question. See **Exhibit 6**.

This finding is a significant deficiency.

> OPSD should evaluate whether a material breach of the terms of its agreements with ALL occurred, as teachers have not been appropriately certified from the inception of its agreement. OPSD should take appropriate action immediately to rectify the situation with ALL. Furthermore, in the event OPSD contracts with off-site, privately-owned vendors for student instruction, OPSD should implement adequate procedures to ensure all certifications are current and appropriate to serve the needs of students, including requiring the vendor to file copies of all teacher certificates with OPSD. In addition, we are referring this information to the Nebraska Department of Education for any action deemed appropriate regarding teacher certifications.

OPSD's Response: See immediately following Finding 4.

3. <u>Special Education (SPED) Funding of ALL Expenditures</u>

The Nebraska Department of Education's regulations and standards for special education programs are found in Title 92 NAC Chapter 51. Title 92 NAC 51-004.14 requires that all special education programs "comply with the requirements of state and federal law and regulation concerning the education of children with disabilities." Additionally, Title 92 NAC 51-004.14E states, "Any school district not meeting the requirements of this Chapter [Chapter 51] shall be in violation of the law." Similarly, Title 92 NAC 51-010.01 requires school districts to ensure "that all personnel necessary to carry out the provisions of this Chapter [Chapter 51] are appropriately and adequately prepared and trained including that those personnel have the content knowledge and skills to serve children with disabilities, subject to the requirements of Section 2122 of the Elementary and Secondary Education Act of 1965." Title 92 NAC 51-010.01A states, "Instructional personnel shall hold valid Nebraska Department of Education certification, [sic] be endorsed in the assigned area." Title 92 NAC 51-011.01B8, regarding allowable and reimbursable costs for special education services, restricts such costs to, among others, "Those contracted special education services in which students with a disability are served by a service agency whose special education programs and rates have been approved by the Department of Education." Title 92 NAC 8-006.01A requires the superintendent or head administrator of each school district to submit to the Commissioner of Education, on or before November 1, an Annual Financial Report, which reflects the financial activity of the school district for the preceding school fiscal year.

Neb. Rev. Stat. § 79-1142(2) provides:

> *"For special education and support services provided in each school fiscal year, the State Department of Education shall reimburse each school district in the following school fiscal year a pro rata amount determined by the department from appropriations for special education approved by the Legislature and based on allowable excess costs for all special education programs and support services."*

Lastly, Title 92 NAC 51-011.04B3 requires, "A school district or approved cooperative reimbursed for ineligible expenditures shall be required to return to the Department of Education the amount determined to be ineligible or the amount shall be deducted from subsequent special education payments."

During review of funding of ALL alternative education program expenditures from OPSD, the following was noted:

- Based on OPSD's general ledger coding of expenditures, the allocation of ALL payments to various cost centers, particularly Special Education (SPED), were not in relation to the disabled populations being served. In 2007-2008, a total of 1,080 academic credit hours were earned by students through ALL; 105, or 9.7%, of those hours were earned by Special Education students, yet $226,070, or 73.7% of the total $306,795 paid to ALL in 2007-2008, was coded/assigned by OPSD to SPED and/or Individuals with Disabilities Education Act (IDEA) accounts. ALL expenditures were coded/assigned based on percentage allocations which had not been reviewed by OPSD in several years.

- As previously noted in Comment Number 2 (Teacher Certification), significant concerns exist related to the apparent lack of appropriate Nebraska teacher certifications for ALL teachers, including ALL's lack of a certified teacher with a disabilities endorsement.
    - Pat Skinner, ex-OPSD SPED Director, indicated that she viewed ALL teachers as essentially classroom monitors/proctors. Actual student instruction and testing is provided, she explained, through computer-delivered courses rather than traditional interactive classroom instruction. As such, Pat Skinner viewed ALL teachers as paraprofessionals under the "supervision" of herself, a certified teacher with a mild/moderate disabilities endorsement. Pat Skinner further indicated her direct "supervision" of ALL staff was not day-to-day monitoring, but rather weekly visits to the off-site ALL location.
    - Special education services obtained through ALL may not be reimbursable due to the Department of Education not having approved ALL's alternative education programs and rates.

- The 2006-2007 Annual Financial Report (AFR) filed with the Department of Education by OPSD detailed Special Education expenditures totaling $1,681,886. See **Exhibit 7A**. However, OPSD's General Ledger for 2006-2007 Special Education expenditures supported $1,790,982 in SPED expenditures, a variance of $109,096. See **Exhibit 7**.
    - Pat Skinner, ex-OPSD SPED Director, stated the variance was a recurring post-fiscal year adjustment to move salary and benefit expenditures for At Risk and Behavioral programs out of SPED and into IDEA for reporting purposes. No detailed documentation was available at OPSD to define further the entire $109,096 report adjustment. The 2006-2007 general ledger directly supported $94,996 in At Risk and Behavioral program salaries and benefits. While purportedly related to salaries and benefits, the $109,096 2006-2007 AFR adjustment was made to the "Tuition Paid to Other Agencies" (Special Education) line item.

This finding is a significant deficiency.

> Due to its seriousness, we are referring this finding, as well as all other findings included in this report, to the Nebraska Department of Education for further review, including consideration of whether expenditures by OPSD to ALL were ineligible based upon the issues noted herein. As a result of such review, it is possible OPSD may need to make reimbursement to the Nebraska Department of Education for any ineligible expenditure to ALL.

OPSD's Response: See immediately following Finding 4.

4. <u>Unlimited Awarding of Academic Credit</u>

The State of Nebraska leaves the determination of graduation requirements under the control of local school boards and districts. Nevertheless, the Nebraska Department of Education does mandate, through Title 92 NAC 10-003.05, each high school to require from grades nine through twelve at least 200 credit hours for graduation, for which at least 80 percent must be from core curriculum subjects. While students should earn full credit for enrolled courses upon demonstrating mastery of the subject matter and/or completion of the course requirements, school districts should have reasonable academic year limitations on the earning of credit hours.

The original February 2001 contract between OPSD and ALL directed that every student selected for participation in the ALL program would receive academic credit from OPSD for completed course work. As such, there were no set limits on the number of academic credit hours students could receive for completed ALL course work.

According to the OPSD School Superintendent, a full-time, traditional student at OPSD can earn a maximum of 35 hours per semester or 70 credit hours per school year. A review of the credit hours awarded to students who participated in the ALL alternative education program, either exclusively or in combination with traditional OPSD course work, for the 2007-2008 academic year noted 11 students who earned total academic credits in excess of 70 hours, including one student who "earned" 152.5 credit hours -- the equivalent of 2 ½ academic years worth of credit -- exclusively from ALL course work. See **Exhibit 8**.

In the 2008-2009 school year, OPSD implemented a limitation on the number of credit hours that could be earned through ALL, with students allowed to earn a maximum of 35 credits per semester through attendance at ALL or ALL/OPSD, unless prior approval is obtained by the selection committee and the administration.

> As OPSD has taken corrective action to disallow the earning of unlimited academic credit hours through the ALL program, no specific recommendation is made at this time. Again, we are referring this information to the Nebraska Department of Education for any action deemed appropriate.

OPSD's Response: After becoming the Superintendent of Schools in July, 2008, the board and the School Superintendent became concerned about the school district's relationship with ALL and issues raised in the attestation review such as the lack of specificity in the contract for ALL's services. This concern was heightened when the School Superintendent looked into the matter and found that the 2003 and 2004 versions of the contract removed much of the specificity and requirements the school had put in place in 2001. The school administration initiated an investigation into the qualifications of ALL personnel, financing of the services, awarding of credit and the other issues raised in the report. The board has taken action to terminate the contract, in continuing to investigate the issues that were of concern to it and that were raised in the report. We are continuing to investigate these matters in an effort to determine the facts and to correct any failings. Many of the facts that you allege are accurate and are of great concern to the board of education and administration, but we are not yet in a position to respond in complete detail. We appreciate the attestation review that your office is conducting and will cooperate fully with you and the Nebraska Department of Education in any further review.

Overall Conclusion

OPSD has a responsibility to provide proper monitoring and oversight of financial transactions arising from that school district's provision of educational services. Failure to monitor such transactions significantly increases risk of exposure, including the risk of loss, theft, or misuse not being detected in a timely manner. OPSD needs to implement stronger controls related to its monitoring and oversight of service agreements to which it is a party, ensuring that such agreements are evidenced by current and properly written contracts that include all material terms and conditions. Further, OPSD needs to take appropriate steps to ensure students are receiving the quality education required by the Nebraska Department of Education's rules and regulations by having appropriately certified teachers, as well as ensuring academic credit hours awarded are appropriate. This information has been referred to the Nebraska Department of Education for any action, including the possible reimbursement of funds, deemed appropriate.

The APA staff members involved in this attestation review were:

Sandra Steinbrecher, Audit Manager
Mary Avery, Special Audits and Finance Manager

If you have any questions regarding the above information, please contact our office.

OGALLALA PUBLIC SCHOOL DISTRICT

EXHIBIT 1

PAYMENTS TO ALTERNATIVE LEARNING LANE, INC. BY SCHOOL YEAR

(UNAUDITED)

	FUNDING SOURCE					
SCHOOL YEAR	**GENERAL**	**SPED**	**IDEA**	**MEDICAID**	**OTHER**	**TOTAL**
2007-2008	$ 80,725	$ 80,964	$ 145,106	$ -	$ -	$ 306,795
2006-2007	80,570	68,740	59,540	-	-	208,850
2005-2006	82,955	62,560	62,835	-	-	208,350
2004-2005	80,090	59,655	52,405	-	1,525	193,675
2003-2004	75,578	115,943	-	-	6,113	197,634
2002-2003	37,729	54,614	-	86,139	3,481	181,963
2001-2002	36,245	67,818	-	-	693	104,756
TOTAL	**$ 473,892**	**$ 510,294**	**$ 319,886**	**$ 86,139**	**$ 11,812**	**$ 1,402,023**

Source: Ogallala Public School District

Prepared by APA
8/4/2009

AGREEMENT

THIS AGREEMENT made and entered into by and between **ALL, Inc.**. hereinafter identified as **ALL**, A Corporation, duly organized and existing under the Laws of the State of Nebraska, with its principal place of business located at Ogallala, Nebraska, on the one hand; and **OGALLALA PUBLIC SCHOOLS**, A Government Subdivision, organized and existing under the Laws of the State of Nebraska, hereinafter identified as **SCHOOL**, on the other hand, shall be as follows:

WHEREAS, each of the parties hereto is properly authorized by action of their respective governing boards to enter into this Agreement;

WHEREAS, the parties hereto each are of the opinion that the SCHOOL should provide an alternative educational program for students who are not having success in school and are identified as "at risk" for dropping out of school or not being successful in normal school work;

WHEREAS, the SCHOOL has approved an alternative educational program for the above-identified students entitled "PLATO System" to provide for the needs of said students; and

WHEREAS, the SCHOOL wishes to contract for the housing, equipment and staffing of said education system with ALL, and ALL being agreeable to furnish the same, in consideration of the SCHOOL guaranteeing it will provide and pay to ALL for, not less than ten (10) students at a price of $50.00 per student for each school day for a period from February 12, 2001, to February 12, 2003.

WHEREAS, ALL agrees to perform the work contemplated hereunder in a good and workmanlike manner;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained herein and each of the parties intending to be legally bound hereby, it is agreed, as follows:

1. Effect of Recitals. The parties hereto acknowledge that the foregoing recitals are true and correct and adopt the same as a material part of this Agreement

2. Location of Services. ALL, as an independent contractor, will provide a school room and sanitary facilities required, in the McGinley-Lane Building, 401 North Spruce Street, Ogallala, Nebraska, to house the school activities to be conducted under the terms of this Agreement.

3. Services and Equipment to be Furnished by ALL. ALL will provide for and pay for all expenses in connection with the operation of said SCHOOL, including without limitation, the following:

(a) A PLATO curriculum for not less than ten (10) student's stations, which system is to be approved by the SCHOOL;

(b) Not less than ten (10) computers with Internet connection;

(c) Furniture, consisting of tables and chairs to accommodate the computers;

(d) All utilities;

(e) All salaries for all personnel employed by ALL to provide services in fulfillment of ALL's obligations under the terms of this Agreement, including government payments in connection therewith;

(f) Workmen's Compensation Insurance Coverage for personnel employed by ALL:

(g) Unemployment compensation requirements;

(h) Public liability insurance coverage of not less than $500,000.00 naming the SCHOOL as an insured.

4. Teachers Employed by All. ALL shall employ teachers to assist students with the PLATO curriculum. ALL shall employ a sufficient number of teachers to ensure that the student to teacher ratio in the ALL Program is not greater that 10 students for every teacher employed by ALL. Teachers employed by ALL shall have and maintain current teaching certificates issued by the Nebraska Department of Education. ALL will cause such teachers to be present in the classroom located in the McGinley-Lane Building each day when school is in session. In the event of teacher illness or teacher absence for other reasons, ALL shall endeavor to obtain substitute teachers at its own expense. The failure of ALL to regularly staff the Program with properly certified teachers in the ratio set forth in this Agreement shall constitute grounds for termination of the Agreement by the SCHOOL.

5. No Joint Employment. All teachers referred to in paragraph 4 above and all other persons, if any, employed by ALL to provide services in fulfillment of ALL's obligations under the terms of this agreement shall be employees of ALL, and shall not be, or be deemed to be, employees of the SCHOOL, or "joint employees" of the SCHOOL and ALL.

6. Discharge of Teachers. ALL shall cause all teachers employed by ALL to discharge their duties in a competent manner, and to abide by all ethical rules and regulations pertaining to teachers promulgated by the Nebraska State Department of Education. ALL agrees that if will discharge any such teacher at the request of the SCHOOL if cause for discharge exists. "Cause" means: (a) Incompetency, which includes, but is not limited to, demonstrated deficiencies or shortcomings in knowledge of subject matter or teaching or administrative skills; (b) neglect of duty; (c) unprofessional conduct; (d) insubordination; (e) immorality; (f) physical or mental incapacity; (g) revocation or suspension of the teacher's certificate by the Department of Education; or (h) other conduct which interferes substantially with the continued performance of duties.

7. Term of Agreement. This contract for service will commence on February 12, 2001, and cover each school day within said period to and including February 12, 2003.

8. Advisory Committee. The ALL Program will be administered with the assistance of an Advisory Committee which shall consist of the High School Principal, the Director of SPED, the At-Risk Director, a teacher appointed by the Superintendent, and a Director appointed by ALL. The Advisory Committee shall meet as often as necessary, but not less than monthly to discuss: (a) the development and periodic refinement of an application process for students; (b) the development and periodic refinement of a process for selecting students for participation in the ALL Program; (c) the development of rules pertaining to students participating in the ALL Program; (d) the performance of ALL and its employees in connection with the Program; (e) methods for better coordinating the efforts of the staff employed by ALL, and the staff of the SCHOOL in connection with the ALL Program; and (f) such other issues as may come before the Advisory Committee in connection with the operation of the ALL Program. Recommendations of the Advisory Committee shall be advisory and shall be implemented if approved by the Superintendent.

9. Selection of Students for Participation in the ALL Program. In order to be eligible to submit an application to participate in the ALL Program, a student must be a current high school student enrolled in grades 9 through 12 at Ogallala High School and must have been so enrolled for at least one full semester before the student submits an application or an application is submitted on his or her behalf. Selection of students for participation shall be determined by a Selection Committee, the composition of which shall be determined by the Advisory Committee with the approval of the Superintendent. The criteria for selecting eligible students for participation shall include the following:

a. No student shall be selected for participation in the ALL Program unless it is determined by designated certificated employees of the SCHOOL that the needs of the eligible student cannot adequately be served in the regular classroom environment and that the student will obtain an educational benefit by participating in the ALL Program;

b. In selecting students for participation in the ALL Program, neither the SCHOOL nor ALL shall discriminate against any eligible student on the basis of his or her race, color, religion, sex, marital status, disability, or national origin;

c. Students shall be selected on the basis of such other criteria as are recommended by the Advisory Committee and approved by the Superintendent.

10. Status of Students. Every student selected for participation in the ALL Program shall remain a student of Ogallala Public Schools, shall receive academic credit from the SCHOOL for completed course work, shall have the same rights and privileges as other students, shall be subject to the same disciplinary rules, and shall be subject to such other rules as are recommended by the Advisory Committee and approved by the Superintendent. Neither the SCHOOL nor ALL will discriminate against any student with respect to the selection process or

any other aspect of the ALL program on the basis of his or her race, color, religion, sex, marital status, disability, or national origin.

11. Student Agreement. Each student who is selected for participation in the ALL Program, and his or her parents or guardian, will be required as a condition of such participation to sign an agreement in a form satisfactory to the SCHOOL. The agreement will specify among other things that the student agrees to abide by established guidelines, and if the student fails to meet those guidelines, the student will be dismissed from the ALL Program and educated in the regular high school environment, except that reassignment of students for disciplinary reasons shall be subject to the provisions of paragraph 12 of this agreement. The agreement shall also provide that the student and his or her parents or guardian consent to the disclosure of the student's records to the teaching staff employed by ALL, and that the consent shall be irrevocable so long as the student continues to participate in the ALL Program.

12. Dismissal of Students from ALL Program for Disciplinary Reasons. Once a student has been accepted into the ALL Program, the student shall not be subject to mandatory reassignment to the general high school environment except for the reasons set forth in the Student Discipline Act, NEB. REV. STAT. §§ 79-254 to 79-294, and after having been afforded the procedures required by that Act. The SCHOOL agrees that if a student participating in the ALL program engages in conduct which constitutes grounds for mandatory reassignment of the student under the provisions of the Student Discipline Act; and if there is evidence that the student's continued participation in the ALL program would be contrary to the interests of the student, contrary to the interests of other students in the Program, or contrary to the legitimate interests of the SCHOOL, then the SCHOOL will initiate and actively pursue a process to discontinue the student's participation in the ALL Program and to reassign the student to a different educational environment. Nothing contained herein shall prevent the SCHOOL from suspending or expelling the affected student if the SCHOOL judges that to be appropriate.

13. Management and Supervision.

a. Designated teachers or other certificated employees of the Ogallala Public Schools will have overall responsibility for organization and management of the classroom or the physical area in which the learning experience of ALL pupils takes place; Provided that temporary responsibility for management of the classroom may be delegated to teachers employed by ALL, who will be subject to the direction and control of designated teachers or other certificated employees of the Ogallala Public Schools referred to above.

b. Designated teachers or other certificated employees of the Ogallala Public Schools will be responsible for assessing and diagnosing the individual educational needs of all pupils assigned to ALL.

c. Designated teachers or other certificated employees of the Ogallala Public Schools

will be responsible for planning, selecting, organizing, prescribing, and directing the learning experiences of ALL pupils; Provided that teachers employed by ALL will, under the direction and control of the designated teachers or other certificated employees of the Ogallala Public Schools referred to above, provide assistance to ALL students.

d. The planning and teaching strategies and the selection of available materials and equipment to be used for ALL students shall be the responsibility of Designated teachers or other certificated employees of the Ogallala Public Schools; Provided that the certificated staff of ALL, and the Director appointed by ALL, may make recommendations to the certificated staff employed by Ogallala Public Schools regarding such matters. If the SCHOOL or its employees determine that any equipment or materials are required for students other than those referred to in paragraph 3 above, then such equipment and materials shall be provided at the expense of Ogallala Public Schools.

e. The evaluation and reporting of student progress for ALL students shall be the responsibility of the certificated staff of Ogallala Public Schools who, in evaluating and reporting student progress, shall solicit input from teachers employed by ALL.

14. Agreements with Teachers. ALL shall enter into written agreements with each teacher employed by ALL in a form satisfactory to the SCHOOL which shall provide among other things that the teacher agrees to keep all student records pertaining to ALL students confidential, and that the teacher agrees to work subject to the provisions of paragraph 13 of this agreement.

15. Minimum Number of Students in Program. The SCHOOL agrees to guarantee not less than ten (10) students will be assigned by it to ALL during the term of this Agreement and to pay therefore, the sum of Fifty Dollars ($50.00) per student per school day. In the event ALL can provide additional stations for more students, and if the SCHOOL agrees to educate more than ten students in the ALL Program, said students will be instructed on the basis of $50.00 per day. In that case, ALL shall procure at its own expense such additional PLATO curriculum, computers, and such other equipment and furnishings as are necessary to educate those additional students.

16. No Third Party Rights. This Agreement shall not be deemed to create any contractual or other rights in favor of any student, the parents or guardian of any student, or in any person who is an employee of ALL or the SCHOOL.

17. Time of Payments. The consideration herein to be paid by the SCHOOL will be payable on the last day of each month.

18. Termination. In the event of a material breach of the terms of this Agreement, either party shall, in addition to such other remedies as that party may have at law or in equity, be entitled to terminate this Agreement. However, neither party shall be entitled to terminate the

Agreement until it has given the other party notice in writing via certified mail or personal delivery that the other party is in breach of the agreement, stating the nature of the breach, and giving the offending party 30 days within which to cure the breach.

IN WITNESS WHEREOF, the parties have hereunto set their hands this _____ day of February, 2001, through the authorized signatures of their respective entities.

ALL, INC., A Nebraska Corporation

By: _____
Jeannine J. Lane,

OGALLALA PUBLIC SCHOOLS, A Governmental Subdivision

By: _____
Board President

39805\001\130

ADDENDUM

WHEREAS, in February 2001, **ALL, Inc.** and **Oglallala Public Schools** entered into the Agreement to which this Addendum is attached; and

WHEREAS, the original Agreement was for a term beginning on February 12, 2001 and ending on February 12, 2003; and

WHEREAS, parties desire to extend the term of the Agreement to May 31, 2004;

NOW, THEREFORE, in consideration of the mutual promises contained herein and in the Agreement to which this Addendum is attached, the parties agree to extend the term of the Agreement to May 31, 2004. Except as specifically modified by this Addendum, all terms and conditions of the original Agreement shall remain unchanged.

IN WITNESS WHEREOF, the parties have hereunto set their hands this 17th day of February, 2003, through the authorized signatures of their respective entities.

ALL, INC., A Nebraska Corporation

By: _____
Jeannine J. Lane,

OGALLALA PUBLIC SCHOOLS, A Governmental Subdivision

By: _____
Board President

39805/001/165

AGREEMENT

THIS AGREEMENT made and entered into by and between **ALL, Inc.**, hereinafter identified as **ALL**, A Corporation, duly organized and existing under the Laws of the State of Nebraska, with its principal place of business located at Ogallala, Nebraska, on the one hand; and **OGALLALA PUBLIC SCHOOLS**, A Government Subdivision, organized and existing under the Laws of the State of Nebraska, hereinafter identified as **SCHOOL**, on the other hand, shall be as follows:

WHEREAS, that each of the parties hereto are properly authorized by action of their respective governing boards to enter into this Agreement;

WHEREAS, the parties hereto each are of the opinion that the SCHOOL should provide an alternative vocational program for students who are not having success in school and are identified as "at risk" for dropping out of school or not being successful in normal school work.

WHEREAS, the SCHOOL has approved an alternative vocational program for the above-identified students entitled PLATO System to provide the needs of said students; and

WHEREAS, the SCHOOL wishes to contract for the housing, equipment and supervision of said curriculum as recommended by SCHOOL with ALL, and ALL being agreeable to furnish the same, in consideration of the SCHOOL guaranteeing it will provide and pay to ALL for, not less than ten (10) students at a price of $50.00 per student for each school curriculum session for a period from February 5, 2001, to school closing in February 5, 2003.

WHEREAS, ALL agrees to perform the work contemplated hereunder in a good and workmanship-like manner;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained herein and each of the parties intending to be legally bound hereby, it is agreed, as follows:

1. The parties hereto acknowledge that the foregoing recitals are true and correct and adopt the same as a material part of this Agreement.

2. That ALL, as an independent contractor, will provide a school room and sanitary facilities required, in the McGinley-Lane Building, 401 North Spruce Street, Ogallala, Nebraska, to house the SCHOOL activities to be conducted under the terms of this Agreement.

3. That ALL will provide for and pay for all expenses in connection with the operation of said SCHOOL, including without limitation, the following:

(a) A PLATO curriculum for not less than ten (10) student's stations, which system is to be approved by the SCHOOL;

(b) Not less than ten (10) computers with Internet connection;

(c) Furniture, consisting of tables and chairs to accommodate the computers;

(d) All utilities;

(e) All salaries for supervisory personnel, including government payments in connection therewith;

(f) Workmen's Compensation Insurance Coverage for supervisory personnel;

(g) Unemployment compensation requirements;

(h) Public liability insurance coverage of not less than $500,000.00.

4. This contract for service will commence on February 5, 2001, and cover each school day within said period to and including the school term of February 5, 2003.

5. That students will be accepted by ALL on a referral basis by the SCHOOL and that a committee will be formed by the SCHOOL which will include Jeannine J. Lane, as one of its members, for the purpose of choosing students eligible to be instructed through ALL.

6. That students from outlying areas may be contracted into the SCHOOL by appropriate action by the SCHOOL as students of ALL.

7. That if a student, being instructed under said program, does not meet the criteria established for conduct, ALL is solely entitled to make a professional decision to dismiss or to retain said student.

9. That the SCHOOL agrees to guarantee not less than ten (10) students will be assigned by it to ALL during the term of this Agreement and to pay therefore, the sum of Fifty Dollars ($50.00) per student per curriculum session. In the event ALL can provide addition stations for more students; said students will be instructed on the basis of $50.00 per day.

10. The consideration herein to be paid by the SCHOOL will be payable on the last day of each month.

IN WITNESS WHEREOF, the parties have hereunto set their hands this _____ day of January, 2001, through the authorized signatures of their respective entities.

ALL, INC., A Nebraska Corporation	OGALLALA PUBLIC SCHOOLS, A Governmental Subdivision
By: _____	By: _____
Jeannine J. Lane, President	Don Bartling, Superintendent

AGREEMENT

THIS AGREEMENT made and entered into by and between **ALL, INC.**, hereinafter identified as **ALL**, a Corporation, duly organized and existing under the Laws of the State of Nebraska, with its principal place of business located at Ogallala, Nebraska, on the one hand; and **OGALLALA PUBLIC SCHOOLS**, a Government Subdivision, organized and existing under the Laws of the State of Nebraska, hereinafter identified as **SCHOOL**, on the other hand, shall be as follows:

WHEREAS, that each of the parties hereto are properly authorized by action of their respective governing boards to enter into this Agreement;

WHEREAS, the parties hereto each are of the opinion that the School should provide an alternative vocational program for students who are not having success in school and are identified as "at-risk" for dropping out of school or not being successful in normal school work.

WHEREAS, the SCHOOL has approved an alternative vocational program for the above-identified students entitled PLATO System to provide for the needs of said students; and

WHEREAS, the SCHOOL wishes to contract for the housing, equipment, and supervision of said curriculum as recommended by SCHOOL with ALL, and ALL being agreeable to furnish the same, in consideration of the SCHOOL guaranteeing it will provide and pay to ALL for, the implemented existing program of thirty (30) available PLATO curriculum stations for every period of the block schedule day for a sum of One Thousand ($1000.00) per day for every Ogallala High School contract day, for a cost of One Hundred Eighty-Five Thousand dollars ($185,000.00) per school year.

WHEREAS, this contract will begin on the first day of the second semester of the 2003-2004 school year, that being January 5th, 2004, and ending on the last day of the Spring school term ending in May, 2005.

WHEREAS, ALL agrees to perform the work contemplated hereunder in a good and workmanship-like manner.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained herein and each of the parties intending to be legally bound hereby, it is agreed, as follows:

1. The parties hereto acknowledge that the foregoing recitals are true and correct and adopt the same as a material part of this Agreement.

2. That ALL, as an independent contractor, will provide a school room and sanitary facilities required, in the McGinley-Lane Building, 401 North Spruce Street, Ogallala, Nebraska, to house the SCHOOL activities to be conducted under the terms of this Agreement.

3. That ALL will provide for and pay for all expenses in connection with the operation of said SCHOOL, including without limitation, the following:

a. A PLATO curriculum that will accommodate thirty students for any given period, said curriculum to be approved by the SCHOOL.

b. Not less than thirty (30) computers with internet connections;

c. Furniture, consisting of tables and chairs to accommodate the computers;

d. All utilities;

e. All salaries for supervisory personnel, including government payments in connection therewith;

f. Workmen's Compensation insurance coverage for supervisory personnel;

g. Unemployment compensation requirements;

h. Public liability insurance coverage of not less that Five Hundred Thousand Dollars ($500,000.00);

i. Professional liability.

4. This contract for service will commence on January 5, 2004, and cover each school day within said period to and including the school term of May, 2005.

5. That students will be accepted by ALL on a referral basis by the SCHOOL and that a committee will be formed by the SCHOOL which will include Jeannine J. Lane as one of its members, for the purpose of choosing students eligible to be instructed through ALL.

6. That students from outlying areas may be contracted into the SCHOOL by appropriate action by the SCHOOL as students of ALL.

7. That if a student, being instructed under said program, does not meet the criteria established for conduct, ALL is solely entitled to make a professional decision to dismiss or to retain said student.

8. That the SCHOOL agrees to pay to ALL during the term of this Agreement the sum of One Thousand dollars ($1000.00) per contract day, for a total of One Hundred Eighty-five thousand dollars (185,000.00) per school year.

9. The consideration herein to be paid by the SCHOOL will be payable on the last day of each month.

10. That each of the parties, SCHOOL and ALL, agree to a minimum time of one school year notification of the other party if this contract is to be altered or terminated.

IN WITNESS THEREOF, the parties have hereunto set their hands this _____ day of January, 2004, through the authorized signatures of their respective entities.

ALL, INC. a Nebraska Corporation

OGALLALA PUBLIC SCHOOL
A Government Subdivision

By: _____ _____
Jeannine J. Lane
President

Bruce Epstein
Superintendent

NE Sec of State - CORP AP
1000154892 Page 5
ALL, INC.
Filed 01/17/2001 09 28 AM

ARTICLES OF INCORPORATION

OF

ALL, INC.

The undersigned, Jeannine J. Lane, acting as incorporator of a corporation under the laws of the State of Nebraska and who desires to form a corporation under the NEBRASKA BUSINESS CORPORATION ACT, does herewith execute and adopt the following Articles of Incorporation, namely:

ARTICLE I
NAME

The name of the Corporation shall be: ALL, INC.

ARTICLE II
TERM OF EXISTENCE

The period of duration of the Corporation is perpetual.

ARTICLE III
PURPOSES AND POWERS

The purposes for which the Corporation is organized and the powers of the Corporation shall be and are as follows:

(a) To establish an alternative educational program for students who are not having success in school and are identified as "at risk" for dropping out of school or not being successful in normal school work and to carry on all other business incidental thereto in their community.

(b) To engage in any other business or operation which may be reasonably necessary, useful, or advantageous to the Corporation.

(c) To have all corporate powers provided under the Nebraska Business Corporation Act.

ARTICLE IV
CAPITAL STOCK

Section 1. AUTHORIZED CAPITAL STOCK. The total number of shares of capital stock which the Corporation shall be authorized to issue is 1,000 shares of common stock, each share having a par value of $10.00 representing an aggregate par value of $10,000.00. The capital stock of the Corporation shall be fully paid for when issued and shall be non-assessable.

Section 2. STOCK CERTIFICATES. Each shareholder of this Corporation shall receive one or more Certificates representing the number of fully paid shares of common stock owned by him, her or it. Each stock certificate shall be signed by the President or a Vice President and the Secretary of the Corporation and shall bear the seal of the Corporation.

Section 3. VOTING RIGHTS. Every holder of the common stock of this Corporation shall have the right to one vote for each share of common stock owned by such shareholder on each matter submitted to a vote at a shareholders' meeting, regular or special, except that in all elections for Directors, every holder of the common stock of the Corporation shall have the right to vote for the number of shares of common stock owned by him, for as many persons as there are directors to be elected, to cumulate said votes and give one candidate as many votes as the number of Directors multiplied by the number of his shares shall equal, or to distribute them upon the same principle among as many candidates as he, she or it, shall think fit.

Section 4. DIVIDENDS. The holders of the common stock of the Corporation shall be entitled to receive dividends, payable either in cash, in property, or in shares of the common stock of the Corporation, when and as declared by the Board of Directors of the Corporation.

Section 5. STOCK RIGHTS AND OPTIONS. The Corporation shall have the power to create and issue rights, warrants, or options, entitling the holders thereof to purchase from the Corporation any shares of its capital stock, upon such terms and conditions and at such time and prices as the Board of Directors may provide, which terms and conditions shall be incorporated in an instrument

evidencing such right. In the absence of fraud, the judgment of the Board of Directors as to the adequacy of consideration for the issue of such rights or options and the sufficiency thereof shall be conclusive.

Section 6. RESTRICTION ON TRANSFER. Any sale, assignment, or other transfer of all or any part of the common stock of the corporation shall be and is subject to the conditions and provisions in respect thereto set forth in the By-Laws.

ARTICLE V
REGISTERED OFFICE AND REGISTERED AGENT

The street address of the initial Registered Office of the Corporation is: 401 North Spruce Street, Ogallala, NE 69153 and the initial Registered Agent at such address is: Jeannine J. Lane. The principal place of business of the Corporation shall be Keith County, Nebraska.

ARTICLE VI
BOARD OF DIRECTORS

Section 1. QUALIFICATION. The specific qualifications, if any, for Directors of the Corporation shall be set forth in the By-Laws of the Corporation. The Board of Directors shall be elected from the stockholders each year at the Annual Meeting of the stockholders.

Section 2. DUTIES AND POWERS. The Board of Directors shall have plenary power and authority for the management of the affairs of the Corporation, all as conferred by the NEBRASKA BUSINESS CORPORATION ACT and by the By-Laws of the Corporation.

Section 3. NUMBER. The number of the Board of Directors shall be not less than one, nor more than three Directors as fixed by the By-Laws of the Corporation.

ARTICLE VII
OFFICERS

The officers of the Corporation shall consist of a President, one or more Vice Presidents, a Secretary and a Treasurer. The Board of Directors may appoint an assistant Secretary and an assistant Treasurer and such other officer or officers as may be designated and appointed by the Board

of Directors. Any person may hold more than one office. The powers, duties and restrictions upon the officers of the Corporation shall be as set forth in the By-Laws of the Corporation and as provided in the NEBRASKA BUSINESS CORPORATION ACT.

ARTICLE VIII
INCORPORATORS

The name and street address of each incorporator of the Corporation is as follows:

NAME	ADDRESS
JEANNINE J. LANE	P.O. Box 299 401 North Spruce Street Ogallala, NE 69153

ARTICLE IX
INTEREST OF DIRECTORS IN CORPORATE TRANSACTIONS

In the absence of fraud, no contract or other transaction between the Corporation and any other person, corporation, firm, association, partnership, joint venture, or governmental agency shall be wholly or partially invalidated or otherwise affected by reason of the fact that one or more of the Directors of the Corporation are to become Directors or officers of such other corporation, firm, association, or member of such partnership or joint venture or members or in any way associated with such governmental agency or agencies, or are pecuniarily or otherwise interested in such contractual transaction, provided, that the fact that such Director or Directors of the Corporation are so situated or so interested, or both, shall be disclosed or shall have been known to the Board of Directors of this Corporation.

ARTICLE X
PRIVATE PROPERTY OF SHAREHOLDERS

The private property of the shareholders shall not be subject to payment of Corporation debts but shall be exempt from liability therefor.

ARTICLE XI
AMENDMENT TO ARTICLES OF INCORPORATION

These Articles of Incorporation may be amended at any Annual or Special Meeting of the shareholders of the Corporation by the affirmative vote of two-thirds (2/3) of the outstanding stock voted in person or by proxy, provided, however, that the Articles of Incorporation, as so amended, changed or altered, shall contain only such provisions as would be lawful and proper under the NEBRASKA BUSINESS CORPORATION ACT, in effect at the time of such amendment.

IN WITNESS WHEREOF, I have set my and this 11 day of January, 2001.

JEANNINE J. LANE, Incorporator

NE Sec of State - CORP PP

1000172689 Pgs

ALL, INC
Filed 02/15/2001 11 08 AM

NOTICE OF INCORPORATION
OF
ALL, INC.

Notice is hereby given that the undersigned have formed a corporation under the NEBRASKA BUSINESS CORPORATION ACT.

1. The name of the corporation is: ALL, INC.
2. The address of the registered office of the corporation is PO Box 299, 401 North Spruce Street, Ogallala, Nebraska 69153.
3. The general nature of the business to be transacted is to establish an alternative educational program for students who are not having success in school and are identified as at risk and to carry on all other business incidental thereto in their community.
4. The amount of capital stock authorized is $10,000, divided into 1000 shares of common stock with par value of $10.00 per share. Said common stock shall be paid for when issued and shall be non-assessable. Said common stock may be paid for in money or in property transferred to the corporation at its reasonable and fair value, to be determined by the Board of Directors.
5. The corporation will commence business on the 31st day of January, 2001, and shall have perpetual existence.
6. The affairs of the corporation are to be conducted by a Board of Directors and the following officers: The President, one or more Vice-Presidents, a Secretary and a Treasurer, and such other officer or officers as may be designated and appointed by the Board of Directors.

Dated this 22nd day of January, 2001.

J.A. Lane #12381
Attorney for Incorporator
401 North Spruce Street
Ogallala, NE 69153
(308) 284-4100
Publish: January 29, 2001 & February 5 & 12, 2001.

PUBLISHER'S CERTIFICATE

State of Nebraska }
County of Keith } ss

Larry Strasburg, being duly sworn, on oath deposes and says that he is the clerk of the Keith County News, a semi-weekly newspaper, printed in whole or in part in an office maintained at Ogallala, in the County of Keith, and State of Nebraska, and that said Keith County News has a bona fide circulation of over three hundred copies each issue, and has been published within said Keith County for fifty-two weeks prior to the publication of the annexed notice: that said Keith County News is a legal newspaper published in conformity with the law, and that the annexed notice has been published three consecutive weeks in said newspaper,

the first publication thereof having been made on the 29th day of January, 20 01

and the last publication on the 12th day of February, 20 01

Larry Strasburg

Scribed and sworn to before me this 13th day of February, 20 01.

Judy Curtis
Notary Public

Publication Fee $ 62.83

GENERAL NOTARY-State of Nebraska
JUDY CURTIS
My Comm. Exp. Dec. 16, 2003

MARCH 2008 INDIVIDUAL EDUCATION PROGRAM
FOR AN OPSD STUDENT

EXHIBIT 6

Individual Education Program (IEP)

IEP mandated by Individuals with Disabilities Act (IDEA). IEP must be developed for every student with a disability who is found to meet state/federal requirements for special education.

Date of Conference: 03/25/2008

Student's Name: **Date of Birth:** 07/20/1992 **Grade:** 10

School: Ogallala High School **Parent's Name:** **Phone:**

THE INDIVIDUAL EDUCATION TEAM INCLUDED THE FOLLOWING PARTICIPANTS IN ATTENDANCE:

Name	Position/Relationship to Student	Date
	Parent	03/25/2008
	Student, if appropriate	03/25/2008
* Jeanine Lane	Regular education teacher not an NDE certified teacher cert. expired 8/31/03	03/25/2008
OPS High School SPED Teacher Janet Koperski	Special education teacher or provider	03/25/2008
OPS SPED Admin/Dir. PAT SKINNER	School district representative	03/25/2008
PAT SKINNER	Individual to interpret evaluation results	03/25/2008
Others, as determined by the parent		
Others, as determined by the district		
Mary Cumming	Counselor	03/25/2008

The school district has taken the necessary action to insure that I understand the proceedings of this IEP conference (including arrangement for an interpreter, if appropriate): . . . .
YES [✓] . . . . NO [ ]
I have received a copy of the IEP: . . . . YES [✓] . . . . NO [ ]
Parent Signature _____ Date of Receipt: 3/25/08
Reason why:

Note: Student and Parents' names were removed by the APA.

DRAFT

EXHIBIT 7

TOTAL PAGE OF OPSD GENERAL LEDGER FOR SPECIAL EDUCATION
2006-2007 EXPENSES

Expenditure Audit Report

SELECTED Data

Date Range: Beginning Period 2007 thru 08/31/2007

Arranged by:
Account Number

Date	Src	P/O	Check	Invoice	Vendor	Description	Disbursed
11/20/2006	AP		00025059	80	[redacted]		3,146.00
11/20/2006	AP		00025089	9/1/06 -	DSN Inc.		11,399.90
11/20/2006	AP		00025089	10/1/06 -	DSN Inc.		15,435.40
12/18/2006	AP		00025240	83	[redacted]		2,860.00
01/15/2007	AP		00025431	91-1	[redacted]		2,717.00
01/15/2007	AP		00025450	11/1/06 -	DSN Inc.		11,399.90
01/15/2007	AP		00025486	C00544	Memorial Health		288.00
02/19/2007	AP		00025570	92	[redacted]		2,717.00
02/19/2007	AP		00025595	12/1/06-12/3	DSN Inc.		11,398.90
03/19/2007	AP		00025745	102	[redacted]		2,717.00
03/19/2007	AP		00025765	020107-022	DSN Inc.		11,238.48
03/19/2007	AP		00025765	010107-013	DSN Inc.		11,722.74
04/16/2007	AP		00025896	106	[redacted]		2,717.00
04/16/2007	AP		00025924	3/1/07-3/31/	DSN Inc.		11,238.48
05/21/2007	AP		00026050	116	[redacted]		2,717.00
05/21/2007	AP		00026079	4/1/07-4/30/	DSN Inc.		11,399.90
05/21/2007	AP		00026130	MAY07	Memorial Health		336.00
06/18/2007	AP		00026235	124	[redacted]		2,717.00
1-1230-363-4-008			**Account Totals:**				**141,983.52**

FUND Totals: **1,790,982.24**

Report Totals: **1,790,982.24**

Provided by OPSD

EXHIBIT 7A

SPECIAL EDUCATION EXPENSES PORTION OF THE 2006-2007 ANNUAL FINANCIAL REPORT FOR OPSD

51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01190-300	1460	Purchased Services	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01190-382	1470	Distance Education & Telecommunications	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01190-400	1480	Supplies and Materials	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01190-420	1490	Textbooks	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01190-500	1500	Capital Outlay	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01190-600	1510	Other Expenses	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01190-000	1520	Total Early Childhood Educational Programs	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-110	1530	Salary - Teachers	579053.21	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-120	1540	Salary - Substitutes	30328.07	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-140	1550	Salary - Clerical and Paraprofessional Staff	344120.09	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-161	1560	Salary - Classroom Management	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-200	1570	Employee Benefits	379438.03	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-284	1580	Early Retirement or Voluntary Termination	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-300	1590	Purchased Services	175468.31	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-360	1600	Tuition Paid to Other Districts (Special Education)	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-370	1610	Tuition Paid to Other Agencies (Special Education)	139703.14	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-382	1620	Distance Education & Telecommunications	1787.79	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-400	1630	Supplies and Materials	14830.67	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-420	1640	Textbooks	2463.45	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-500	1650	Capital Outlay	9721.19	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-600	1660	Other Expenses	4971.66	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-01200-000	1670	Total Special Education Instructional Programs	1681885.61	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-02100-110	1680	Salary - Professional Staff	203308.82	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-02100-140	1690	Salary - Clerical and Paraprofessional Staff	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-02100-143	1700	Salary - Technical Staff	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-02100-200	1710	Employee Benefits	70525.18	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-02100-284	1720	Early Retirement or Voluntary Termination	0	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-02100-300	1730	Purchased Services	3745.89	2006/07
51-0001-000	OGALLALA PUBLIC SCHOOLS	3	01-2-02100-382	1740	Distance Education & Telecommunications	0	2006/07

1,681,885.6

✓ Agrees to school GTL Detail for SPED

Information obtained directly from OPSD's Annual Financial Report for 2006-2007.

EXHIBIT 8

OGALLALA PUBLIC SCHOOL DISTRICT (OPSD)
ALL AND OPSD STUDENT CREDIT SUMMARY 2007-2008
(UNAUDITED)

Student	ALL Credit Earned 1st Semester	ALL Credit Earned 2nd Semester	OPSD Credit 1st Semester	OPSD Credit 2nd Semester	Total Credit Hours	
A	-	-	-	-	-	
B	10.0	35.0	25.0	25.0	95.0	
C	105.0	47.5	-	-	152.5	
D	10.0	85.0	-	5.0	100.0	
E	10.0	30.0	15.0	20.0	75.0	
F	-	10.0	25.0	25.0	60.0	
G	-	-	-	-	-	
H	10.0	-	10.0	-	20.0	
I	27.5	10.0	25.0	25.0	87.5	
J	7.5	50.0	5.0	15.0	77.5	
K	-	20.0	5.0	-	25.0	
L	7.5	15.0	15.0	20.0	57.5	
M	-	-	-	-	-	Dropped out 10/17/07
N	10.0	5.0	10.0	15.0	40.0	
O	5.0	10.0	20.0	20.0	55.0	
P	25.0	-	10.0	-	35.0	
Q	22.5	15.0	10.0	10.0	57.5	
R	-	-	-	-	-	
S	-	-	-	-	-	Dropped 10/8/07
T	17.5	20.0	25.0	25.0	87.5	
U	37.5	-	5.0	-	42.5	
V	-	25.0	15.0	20.0	60.0	
W	45.0	30.0	15.0	15.0	105.0	
X	27.5	-	10.0	15.0	52.5	
Y	57.5	-	-	-	57.5	
Z	47.5	30.0	10.0	15.0	102.5	
AA	-	-	15.0	15.0	30.0	
AB	5.0	-	-	5.0	10.0	
AC	-	20.0	-	15.0	35.0	
AD	-	20.0	10.0	15.0	45.0	
AE	10.0	20.0	15.0	15.0	60.0	
AF	-	40.0	35.0	20.0	95.0	
AG	35.0	10.0	15.0	15.0	75.0	
Totals	532.5	547.5	345.0	370.0	1,795.0	

= Special Education Student

Prepared by APA
8/4/2009

Source: Ogallala Public School District

EXHIBIT 9

Ogallala Public Schools

Administration Offices
205 East 6th Street
Ogallala, Nebraska 69153
308-284-4060

July 20, 2009

SENT BY CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Received
AUG 10 2009
NEBRASKA
STATE AUDITOR'S
OFFICE

Jeannine J. Lane, President
ALL, Inc.
P.O. Box 299
Ogallala, NE 69153

Dear Ms. Lane:

This letter shall serve as official notification that School District No. 51-0001 of Keith County, Nebraska, a/k/a Ogallala Public Schools, has determined that the agreement it entered into with Alternative Learning Lane, a/k/a ALL, Inc. ("ALL") in January, 2004 is void pursuant to NEB. REV. STAT. § 79-266. Further, ALL breached the agreement by failing to employ teachers with valid teaching certificates, by failing to employ teachers with valid teaching certificates and an endorsement in special education, and by failing to perform its contractual obligations in a "workmanship-like manner."

Accordingly, Ogallala Public Schools has determined that it is in the best interests of the district and its students to terminate the agreement effective July 21, 2009.

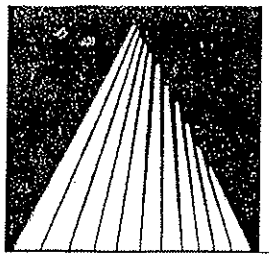
If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

Carl Dietz
Superintendent

cc: Kelley Baker
I:\39805\029\005.doc

EXHIBIT 10



NEBRASKA DEPARTMENT OF EDUCATION

Douglas D. Christensen, Commissioner
Polly Feis, Deputy Commissioner

301 Centennial Mall South ▪ P.O. Box 94987 ▪ Lincoln, Nebraska 68509-4987
Telephone (Voice/TDD): 402-471-2295 ▪ Fax: 402-471-0117 ▪ www.nde.state.ne.us

March 11, 2009

Carl Dietz
Superintendent
Ogallala Public Schools
205 E 6th St
Ogallala, NE 69153

Dear Mr. Dietz:

The purpose of this letter is to respond to the administrative request for direction from the Nebraska Department of Education for Ogallala Public Schools and their involvement in contracting with private vendors for educational services for the Ogallala students. If the district chooses to contract with a private vendor, the Ogallala Administration and Board have the responsibility to ascertain the effectiveness of the private program and determine if the district and program are in compliance with Nebraska State Law, Nebraska Department of Education rules, and local board policy.

Ogallala is a Rule 10 school and consequently is expected to comply with all the directives contained therein. Rule 10 outlines the minimal requirements that Nebraska schools must meet to be accredited and provide for the educational needs of students. Among the guidelines of Rule 10 are directives for accountability reporting, curriculum and standards, and instructional staff.

The accreditation issues to consider are the following:

92 NAC 10-010 -- Accountability Reporting: Ogallala Public Schools is responsible for reporting annually to NDE the academic success, or lack thereof, of all students enrolled in their system. That success can only be reported if the district has full access to the performance records of the student and that the district ultimately is the entity awarding the credit.

92 NAC 10-004.04A through 004.04D2a – Curriculum: Ogallala Public Schools is responsible for the rigor of the curriculum offered to the students. This curriculum must be at least as rigorous as or more rigorous than the state standards. Only with oversight of the courses, synchronous or asynchronous, can Ogallala be assured that the district is in compliance with these guidelines.

State Board of Education

Fred Meyer, President, District 6, 1580 Highway 281, St. Paul, NE 68873
Kandy Imes, Vice President, District 7, 1850 20th Street, Gering, NE 69341
Robert Evnen, District 1, 301 South 13th Street, Suite 500, Lincoln, NE 68508
Kerry T. Winterer, District 2, 12388 Rose Lane, Omaha, NE 68154
Jim Scheer, District 3, P.O. Box 16, Norfolk, NE 68702
Carole Woods Harris, District 4, 5404 Ellison Avenue, Omaha, NE 68104
Patricia H. Timm, District 5, 1020 North 21st Street, Beatrice, NE 68310
Joe Higgins, District 8, 5067 South 107th Street, Omaha, NE 68127

an equal opportunity agency

92 NCA 10.007 through 007.07A; State Statute 79-801 and 802 – Staff: All teachers are to be certificated instructors and teaching in their endorsed areas in accordance with Rule 10 and state law. This directs the district to employ only certificated teachers who are regularly evaluated by licensed administrators and provided regular staff development. Private vendors contracted by Ogallala Public Schools must also meet these regulations.

Ogallala Public Schools is entrusted with public funds to be used responsibly for educational programs and activities that are in compliance with all state laws, department of education rules, and board policies. These programs and activities should provide for the most rigorous, enriching educational experiences possible for the young people entrusted to the district's care. When entering into a contractual agreement with a private vendor for delivery of educational programs, Ogallala Public Schools should proceed with caution. Compliance with Rule 10 is ultimately the responsibility of the Ogallala Public Schools, not the private vendor. The Nebraska Department of Education does not accredit private vendors.

We wish the Ogallala Public Schools success as you move forward in providing your students the best education possible.

Respectfully,

RICK MOSES, Consultant
Accreditation and School Improvement