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NEWS RELEASE

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FOR RELEASE _____ July 16, 2009 _____

Auditor of State David A. Vaudt today released a report on a special investigation of the Malcolm Price Laboratory School (School) for the period July 1, 2006 through March 31, 2009. Procedures were also performed for prior periods for certain students. The School is located on the campus of the University of Northern Iowa and serves approximately 350 students. The special investigation was performed as a follow-up to an internal audit report which identified concerns regarding registration amounts paid for certain students.

Vaudt reported the special investigation identified \$255,889.39 of uncollected fees for the period July 1, 2006 through March 31, 2009 and prior periods for certain students. Of that amount, \$250,262.50 is the difference between the proper registration fees which should have been charged to and paid by certain families and the amount actually charged to the families by the School. The amounts charged by the School were primarily based on incorrect addresses reported by the families.

Vaudt reported it was not possible to determine whether additional fees may have been uncollected because the accuracy of all students' addresses could not be determined for each year. Vaudt also reported it was not possible to determine if additional fees were uncollected because adequate records were not available for periods prior to the 2003/2004 academic year.

Vaudt reported the procedures identified 9 families reported an incorrect address. All but 1 of the families reported an address within the School's basic or buffer zones for more than 1 year. The School's Director reported an incorrect address for his children for the 2008/2009 academic year. As a result, his family was charged \$14,871.00 less than the proper registration fees. Vaudt also reported the procedures identified 3 families reported actual addresses which were outside the School's basic or buffer zones. However, they were charged the basic registration fee, which is significantly less than amounts the families should have paid. Vaudt also reported the School did not properly carry over \$5,626.89 of uncollected fees from the end of the 2007/2008 academic year into the 2008/2009 academic year.

The report includes recommendations to the School to require specific documentation to verify addresses, to ensure all families pay the appropriate registration fees and develop policies regarding the proration of registration fees for students who are enrolled less than a full academic year.

Copies of the report have been filed with the Division of Criminal Investigation, the Black Hawk County Attorney's Office and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/specials.htm>.

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**REPORT ON SPECIAL INVESTIGATION OF THE
UNIVERSITY OF NORTHERN IOWA
MALCOLM PRICE LABORATORY SCHOOL**

**FOR THE PERIOD
JULY 1, 2006 THROUGH MARCH 31, 2009
AND PRIOR PERIODS FOR CERTAIN STUDENTS**

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Auditor of State's Report

To Dr. Benjamin J. Allen, President
of the University of Northern Iowa:

As a result of concerns identified in a report issued by the Board of Regents' Office of Internal Audit, we conducted a special investigation of fees charged to families for students who attend Malcolm Price Laboratory and Northern University High School (School). We have applied certain tests and procedures to information on file at the School. Based on our review of relevant information and discussions with officials and personnel of the School and the University of Northern Iowa (University), we performed the following procedures for the period July 1, 2006 through March 31, 2009, unless otherwise specified.

- (1) Obtained an understanding of concerns identified by personnel from the Office of Internal Audit and reviewed the workpapers they prepared.
- (2) Interviewed School staff to obtain an understanding of how certain fees are calculated, collected and recorded.
- (3) Evaluated internal controls at the School to determine whether adequate policies and procedures were in place and operating effectively.
- (4) Reviewed student enrollment forms and compared address information to other public records, including, but not limited to, property records, phone listings and information from certain websites. For enrollment forms which did not appear to contain a correct address, additional verification procedures were performed to determine the accuracy of the address listed.
- (5) For student enrollment forms which did not contain the correct address, reviewed the amount of registration fees charged for the period July 1, 2006 through March 31, 2009 to determine if the proper amounts were charged for the students enrolled at the School. For students for whom an incorrect registration fee was charged, we reviewed the registration fees charged for the prior years the student was enrolled at the School.
- (6) With the assistance of special agents from the Division of Criminal Investigation, interviewed certain individuals, including administrative staff members, parents and community members, to determine if the addresses recorded in the School's records for certain students were correct.
- (7) Examined University and School records to determine the residence recorded for the School's Director.
- (8) Obtained and examined utility billings for addresses recorded in the University's payroll system for the Director.

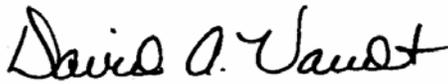
- (9) Reviewed and evaluated unpaid fees at the end of the 2007/2008 and 2008/2009 academic years. We also compared the balances due at the end of each year to the amounts carried over to the new academic year.

These procedures identified \$255,889.39 of uncollected fees for the period July 1, 2006 through March 31, 2009 and for prior periods for certain students. Of this amount, \$250,262.50 is the difference between the proper registration fees which should have been charged to and paid by certain families and the amount actually charged to the families by the School. The amounts charged by the School were based primarily on incorrect addresses reported by the families. We were unable to determine whether additional amounts may have been uncollected because we were not able to determine the accuracy of the addresses recorded for all students each year. In addition, we were unable to determine if additional amounts were uncollected because adequate records were not available for periods prior to the 2003/2004 academic year. Several internal control weaknesses were also identified. Our detailed findings and recommendations are presented in the Investigative Summary and **Exhibits A** through **E** of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Malcolm Price Laboratory and Northern University High School, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Division of Criminal Investigation, the Black Hawk County Attorney's Office and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the Division of Criminal Investigation, the University of Northern Iowa and the School during the course of our investigation.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 15, 2009

University of Northern Iowa
Price Laboratory School

Investigative Summary

Background Information

Price Laboratory School and Northern University High School (School) are located on the campus of the University of Northern Iowa (University) and are part of the College of Education (COE). In addition to providing academic curriculum and extra curricular opportunities for Pre-Kindergarten through 12th grade students, the School provides a setting for clinical teacher education and research at the early childhood, elementary, middle and high school levels. The School's mission includes:

- Serve as an integral component of the University's teacher education program.
- Engage in scholarly work and service to advance teaching practices and provide resources for teachers in Iowa and beyond.
- Provide an excellent innovative education for early childhood through grade twelve students who attend the School.

The University's Child Development Center (CDC) is also located in the School. It is licensed to serve children ranging in age from 6 weeks to 5 years. In addition, kindergarten through 6th grade students from the School may enroll in the CDC After School Program.

The School's administration is led by a Director, which is a position similar to a Superintendent in Iowa's community school districts. David Smith became the Director of the School in 2004. Mr. Smith began employment with the School in 1995 when he was hired to teach physical education and coach various sports teams. Prior to becoming Director, he held the positions of High School Principal, Elementary Principal and the Athletics/Activities Director.

Mr. Smith reports to the COE Dean, Dr. William Callahan. As Director, Mr. Smith is responsible for the administration of the School and the CDC. In addition, Mr. Smith is responsible for the following:

- Administering and participating in the formulation and implementation of the School's policies, regulations and practices.
- Assisting Principals in working with faculty, staff and students.
- Interviewing, hiring, supervising, evaluating and making recommendations in matters of promotion, tenure, termination or salary adjustments.
- Providing support of education experimentation, research and curriculum development.
- Coordinating the placement throughout Iowa of all Level I and III Field Experience students from the University.
- Developing, planning and administering program budgets within the School and providing overall management of financial activities, including reviewing and approving write-offs of family fee accounts.
- Approving enrollment applications based on recommendations from the School's Enrollment Committee.

On January 20, 2009, Mr. Smith announced his resignation as the School's Director, effective June 30, 2009, to pursue an opportunity as the Superintendent of a community school district in Iowa.

The School has several unique characteristics which make it unlike either public or nonpublic schools in Iowa. Public schools in Iowa are primarily funded by the State and local taxes collected within the school district. Public schools often also collect registration fees from students. Nonpublic schools are primarily funded by tuition charged to students and financial support received from contributors. The School is funded primarily by the University. In addition, the School collects registration fees from the students.

Public schools in Iowa provide learning environments to children living within specified boundaries of established school districts. Students who wish to attend a public school in a district different from their residence are required to complete the open enrollment process. Students who attend nonpublic schools are not limited to the geographical boundaries of school districts and are not required to complete the open enrollment process to attend the nonpublic school of their choice.

Because the School is located within the Cedar Falls Community School District, section 282.18(15) of the *Code of Iowa* requires an agreement regarding student enrollment be developed between the University and Cedar Falls Community School District. The *Code* states “The regents institution operating the laboratory school and the board of directors of the school district in the community in which the regents institution is located shall develop a student transfer policy designed to protect and promote the quality and integrity of the teacher education program at the laboratory school, the viability of the educational program of the local school district in which the regents institution is located, and to indicate the order in which and reasons why requests to transfer to a laboratory school shall be considered. A laboratory school may deny a request for transfer under the policy.”

In accordance with the *Code*, an agreement established in 1984 created 2 zones which are referred to as the Basic Zone and the Buffer Zone. According to officials we spoke with, students residing within the Basic Zone are given first consideration for attendance at the School. Students residing in the Buffer Zone are given priority for attendance over students residing outside the zones. The 2 combined zones are commonly referred to as the Price Lab Zone (Zone). A map of the Zone is included in **Appendix 1**.

As provided by the agreement, elementary and high school students residing within the Zone may choose to attend the School rather than Cedar Falls Community School District. In addition, students in 7th through 12th grade who reside in the Cedar Falls Community School District but outside the Zone may attend the School without filing an open enrollment application, as long as the School’s enrollment is within the maximum limitations established by the agreement. However, elementary students residing in the Cedar Falls Community School District but outside the Zone are not allowed to enroll at the School rather than Cedar Falls Community School District. Open enrollment applications submitted to Cedar Falls Community School District for an elementary student to attend the School rather than Cedar Falls Community School District are not approved. Students from districts other than the Cedar Falls Community School District may also attend the School by successfully completing the open enrollment process or by “tuitioning-in” to attend the School.

Approximately 350 students were enrolled at the School during the 2008/2009 academic year. While a number of the students attending the School resided in Cedar Falls, some students resided in surrounding school districts, including, but not limited to, Waterloo, Hudson, Janesville, Waverly-Shell Rock, Dike-New Hartford and Iowa City.

Parents or guardians who wish to enroll students in the School are required to complete an application form for the student’s first academic year and a registration form each year the student is enrolled at the School. A copy of a redacted registration form completed for a student for the 2007/2008 academic year is included in **Appendix 2**. As illustrated by the **Appendix**, the application includes the student’s name, address, grade, the name, address and phone number of each parent/guardian and their signature.

Enrollment applications are accepted by the School throughout the year. According to staff members we spoke with, many parents/guardians call the School to inquire about the enrollment process. The parents/guardians are provided enrollment information based on the location of their residence.

In approximately February of each year, School officials and the enrollment committee review all applications for the next academic year. Applications for enrollment during other times of the year are reviewed as they are submitted. Successful applicants are notified by phone and asked if they still plan to enroll a student(s). If so, a 30-day review process by the School's enrollment committee begins to complete a review of the student's previous school records and determine if there are any special needs which need to be addressed. The enrollment forms and information gathered during the review process are provided to the Director, who makes the final decision regarding the applicant's enrollment at the School.

Using information from the application, School staff members determine the appropriate amount to charge for each student. The amount is based on the student's grade, residence and whether an open enrollment has been approved for the student.

- The registration fee for all Pre-kindergarten students to participate in the School's program is the same amount for all students, regardless of their residence.
- Elementary students living within the Zone are charged the basic registration fee.
- Elementary students living outside the Zone who have been approved for open enrollment are charged the basic registration fee. As previously stated, elementary students who live in the Cedar Falls Community School District but outside the Zone are not approved for open enrollment.
- Elementary students living outside the Zone who have not been approved for open enrollment are allowed to attend the School if they pay a fee established by the School. The fee is greater than the basic registration fee. School staff refer to this process as "tuitioning in." According to staff members we spoke with, this practice started with the 2007/2008 academic year.
- Students in 7th through 12th grades living in the Cedar Falls Community School District (both within and outside the Zone) are charged the basic registration fee. The students are not required to obtain open enrollment approval.
- Students in 7th through 12th grades living outside the Zone and the Cedar Falls Community School District who have been approved for open enrollment are charged the basic registration fee.
- Students in 7th through 12th grades living outside the Zone and the Cedar Falls Community School District who have not been approved for open enrollment are allowed to attend the School if they "tuition-in."

According to School officials we spoke with, students were not allowed to tuition-in to attend the School prior to the 2007/2008 academic year. During the 2006/2007 academic year and previous years, all students were required to live in the Zone or successfully complete the open enrollment process (with the exception of students in 7th through 12th grade living in the Cedar Falls Community School District outside the Zone.) According to individuals we spoke with, the tuition-in process was developed in response to a request from a family who wanted to enroll their elementary student in the School but lived outside the Zone in Cedar Falls. According to School staff members we spoke with, the tuition-in process was developed by the School with input from the Superintendent of the Cedar Falls Community School District. The amount of the

fee to tuition-in was set to agree with the amount of State funding designated per pupil by the Iowa Department of Education.

Table 1 summarizes the registration fees for the 2003/2004 through 2008/2009 academic years.

Description	Academic Year					
	2008/ 2009	2007/ 2008	2006/ 2007	2005/ 2006	2004/ 2005	2003/ 2004
Pre-kindergarten fee	\$ 1,412.00	1,368.00	1,300.00	1,080.00	1,080.00	1,080.00
Registration fee	543.00	526.00	500.00	475.00	450.00	440.00
Tuition-in fee (cost per pupil)	5,500.00	5,333.00	#	#	#	#

- The School did not allow students to tuition-in until the 2007/2008 academic year.

The amount charged by the School per student is documented on a “Fee Statement/Receipt” form for each family. A copy of the form is included in **Appendix 3**. As illustrated by the **Appendix**, the form is signed by the parent/guardian and it documents the amount charged for the student(s) in the family.

In addition to registration fees, the School collects miscellaneous fees, as applicable for individual students. The miscellaneous fees include activity tickets, band, orchestra and music fees (rental and class fee) and lost or unreturned library book fees. All past due fees are to be paid in full before registration can be completed for the next academic year. However, for the 2008/2009 academic year, on-line registrations on the Power School system allowed parents/guardians to register students prior to payment of past due fees. According to staff members we spoke with, the Director could and did make exceptions to this policy. However, documentation was not maintained to show approval of the exceptions.

On December 19, 2008, the Board of Regents’ Office of Internal Audit issued a report titled “Price Laboratory School Fees.” The report included several discussion points and audit recommendations, including:

- Of the 339 students tested from the 2008/2009 student list, 16 (approximately 5%) appeared to not be paying the correct registration fee. Internal auditors identified students for whom the basic registration fee was paid when the higher tuitioning-in amount should have been paid for the student. The report also identified a potential loss of \$79,312 of fees for the 2008/2009 academic year.
- The School had not developed an accounts receivable process to collect outstanding revenue in a timely manner or provide an accounts receivable listing for financial reporting purposes at the end of the fiscal year. In addition, late charges were not applied on a consistent basis to past due accounts.
- Collections made at the School were not deposited in a timely manner in accordance with the University’s deposit policy.
- Of the 30 scholarships awarded during the 2008/2009 academic year, 7 students had incorrect scholarship amounts applied to their accounts and 7 additional students did not receive credit for their scholarships.

Due to the nature of the findings included in the Office of Internal Audit’s report, the Office of Auditor of State conducted an investigation of the registration fees charged by the School for individual students. We performed the procedures detailed in the Auditor of State’s Report for the period July 1, 2006 through March 31, 2009.

Detailed Findings

These procedures identified \$255,889.39 of uncollected fees for the period July 1, 2006 through March 31, 2009 and prior periods for certain students. Of that amount, \$250,262.50 is the difference between the proper registration fees which should have been charged to and paid by certain families and the amount actually charged to the families by the School. The amounts charged by the School were primarily based on incorrect addresses reported by the families. We were unable to determine whether additional fees may have been uncollected because we were not able to determine the accuracy of all students' addresses each year. In addition, we were unable to determine if additional fees were uncollected because adequate records were not available for periods prior to the 2003/2004 academic year. All findings are summarized in **Table 2** and a detailed explanation of each finding follows.

Table 2

Description	Table/ Page	Amount
Uncollected fees:		
Unpaid registration fees due from administrators	Tables 3 and 4	\$ 4,862.50
Registration fees for families who reported incorrect addresses	Table 3	217,590.00
Registration fees for families who reported actual addresses not in the Zone	Table 3	27,810.00
Fees not carried over from the end of the 2007/2008 academic year	Page 28	5,626.89
Total		\$ 255,889.39

UNCOLLECTED REGISTRATION FEES

As stated previously, a higher registration fee is to be charged for elementary students attending the School who live outside the Zone and do not have an approved open enrollment agreement. Open enrollment is the process followed by a parent/guardian residing in a school district who enrolls their student in a public school in another school district. Section 282.18 of the *Code of Iowa* establishes the requirements for open enrollment.

In accordance with the *Code*, the Board of the receiving District shall enroll the student for whom an open enrollment application has been filed unless the receiving District does not have classroom space for the student. Also, the receiving District has the authority to accept or deny an open enrollment application unless 1 of the following conditions exists, in which case, the District of residence has the authority to approve or deny the application.

- The District of residence has a desegregation plan.
- The applicant alleges pervasive harassment.
- The applicant alleges a severe health need that cannot be served by the District of residence.

The Board of the receiving District may also adopt a policy granting the Superintendent authority to approve open enrollment applications. The Superintendent of a District subject to a voluntary diversity or court-ordered desegregation plan, as recognized by rule of the State Board of Education, may deny a request for transfer if the Superintendent finds enrollment or release of a pupil will adversely affect the District's implementation of the desegregation order or diversity plan.

Because the Waterloo Community School District has an established desegregation plan in place, applications submitted by certain students who request open enrollment to another school district may be denied by the Superintendent of the Waterloo School District.

During our investigation, we interviewed several current and former School staff members regarding implementation of the tuitioning-in process. According to the staff members we spoke with, the School developed the tuitioning-in process after a parent who lived in the Cedar Falls Community School District but outside the Zone inquired about options for her elementary child to attend the School. We also spoke with the parent who confirmed she had contacted officials at the Cedar Falls Community School District and was told the *Code* allowed students to attend non-resident districts when tuition was paid for them. According to the parent, she then actively worked with School officials to develop the tuitioning-in option and ultimately paid the fee established by the School to tuition-in so her child could attend the School.

According to School officials, the option of tuitioning-in was not made available until the 2007/2008 academic year. Prior to that time, elementary students who did not live in the Zone and students in the 7th through 12th grades who did not live in Cedar Falls were not allowed to attend the School if they did not successfully complete the open enrollment process.

Also, in accordance with the *Code*, the District of residence shall pay the receiving District the State cost per pupil. While the *Code* allows for Districts of residence to pay the receiving District the State cost per pupil for students who open enroll from one District into another, the *Code* does not include a provision for families to pay the same rate to enroll their children in the School.

For each student enrolled at the School during the 2008/2009 academic year, we reviewed the student's home addresses recorded in the School's Power School® system. The Power School® system is a set of electronic files which includes enrollment and demographic information for each student enrolled at the School, as well as payment information, attendance and class schedules. The School started using Power School® during the 2004/2005 academic year to record enrollment and demographic information. The School also started using Power School during the 2008/2009 academic year to record fee information for each family.

For the 2008/2009 academic year, parents/guardians completed registration information on-line for students attending the School. For previous academic years, registrations were to be completed at the School office. Registration information includes the student's address, parent/guardian names and addresses and emergency contact information. We compared the address reported by the parent/guardian to information obtained from the Black Hawk County Assessor's website. If the student's parent's/guardian's names did not match the deed holder's names on the property address, additional procedures were performed to determine if the student resided at the address shown on the registration form. Other sources of verification included:

- student files,
- University of Northern Iowa payroll records if the parent/guardian was an employee or student and
- information database websites, such as intellius.com and whitepages.com.

For addresses we were unable to confirm, we received assistance from special agents of the Iowa Division of Criminal Investigation (DCI). With the DCI's assistance, we reviewed drivers license and automobile registration information. DCI agents also provided assistance when we interviewed the individuals. Specifically, we interviewed:

- parents/guardians to verify the address listed on the registration form as the student's address,
- occupants residing at the address listed on the registration form as the student's address to determine if the student(s) actually resided at the address and
- landlords, managers or owners of the property listed on the registration form as the student's address to determine if the student(s) actually resided at the address.

We also contacted other school districts to determine if certain students were approved for open enrollment from their District of residence.

Based on the findings identified by the Board of Regents' Office of Internal Audit, we expanded our scope to include the 2007/2008 and 2006/2007 academic years. In addition, for the students we identified for whom the proper amount of registration was not charged, we expanded our testing to prior academic years as long as sufficient records were available.

The proper amount of registration was not charged for a number of the students identified because incorrect address had been recorded for the student when they were enrolled at the School. However, we also identified 3 students for whom the correct address had been recorded for the years we reviewed. However, the School charged the family the incorrect amount. In addition, registration was not paid by Director Smith and Principals Stichter and Cryer.

We have summarized the underpaid registration fees by family in **Table 3**. Additional information about our findings are included in the paragraphs following the **Table**. The paragraphs are categorized as shown in the **Table**.

Family	Academic Year						Total
	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	
Fees waived for School administrators:							
Stichter	\$ -	-	-	650.00*	#	-	650.00
Cryer	-	-	-	650.00*	#	-	650.00
Smith	-	1,350.00	1,425.00	787.50*	#	-	3,562.50
Subtotal	-	1,350.00	1,425.00	2,087.50*	-	-	4,862.50
Families who reported incorrect addresses:							
Smith	-	-	-	-	-	14,871.00	14,871.00
Bigelow	-	-	-	4,635.00	4,807.00	4,957.00	14,399.00
Burt	4,215.00	4,298.00	4,463.00	4,635.00	9,614.00	9,914.00	37,139.00
Eastman	-	-	-	9,270.00	9,614.00	14,871.00	33,755.00
Gilbert	4,215.00	4,298.00	8,876.00	9,270.00	14,421.00	6,621.00	47,701.00
Hovey	-	-	-	-	4,807.00	4,957.00	9,764.00
Longnecker	-	-	-	-	4,807.00	4,957.00	9,764.00
Lund	-	-	4,463.00	4,635.00	4,807.00	-	13,905.00
South	-	-	17,752.00	18,540.00	-	-	36,292.00
Subtotal	8,430.00	8,596.00	35,554.00	50,985.00	52,877.00	61,148.00	217,590.00
Families who reported actual addresses not in the Zone:							
Gerdes	-	-	4,463.00	4,635.00	4,807.00	-	13,905.00
Harper	-	-	-	-	4,807.00	-	4,807.00
Schmidt	-	-	4,463.00	4,635.00	-	-	9,098.00
Subtotal	-	-	8,926.00	9,270.00	9,614.00	-	27,810.00
Total	\$ 8,430.00	9,946.00	45,905.00	62,342.50	62,491.00	61,148.00	250,262.50

* - Portion remaining after part of registration fee was added to the administrators' W-2 forms.

- Registration for this year was waived but was later added to the administrators' W-2 forms.

School Administrators

According to University officials, the University President's Office was contacted in late 2007 by a representative of the Board of Regents regarding questions raised by a union official. Specifically, the representative asked if the School had a policy for waiving registration fees. The representative also asked whether there were any exemptions to the current registration policy.

According to Mr. Smith, prior to being becoming the Director, he was told by the former and current COE Deans, Jeff Cornett and Bill Callahan, part of his compensation for becoming the Director was his children could attend the School at no cost. Also according to Mr. Smith, this was to become effective during the 2004/2005 academic year. During this period, Mr. Smith and his family resided in the Zone.

We obtained and reviewed a copy of the offer letter to Mr. Smith dated April 21, 2004. The offer letter did not specify free registration for his children. When we spoke with Dr. Cornett and Dr. Callahan, they stated they recalled the conversation Mr. Smith referred to and confirmed the registration was intended to be part of Mr. Smith's compensation even though it was not written in his letter. Due to the lack of documentation, we are unable to determine what, if any, arrangements were made regarding the registration fees for Mr. Smith's children.

We also reviewed the School and University policies to determine if provisions had been made for School administrators to enroll their children at no cost. However, such a policy has not been established.

Because Principals Stichter and Cryer did not pay the registration fees for their children, we also obtained copies of the offer letters provided to them. The letters did not include free registration for their children as a benefit or form of compensation. When we spoke with the Principals, they indicated Mr. Smith verbally extended free registration to them as a benefit of becoming a Principal at the School. According to the Principals, this information was provided to them by Mr. Smith prior to them accepting the Principal positions. We are unable to determine under what authority Mr. Smith would be able to extend such an offer. According to Dr. Cornett, Mr. Smith would have needed Dr. Callahan's approval to provide such a benefit. When we spoke with Dr. Callahan, he stated he was aware Mr. Smith had provided this benefit to the Principals, but Dr. Cornett had approved the arrangement before his departure. Based on these statements, it is not clear either Dean approved this benefit.

According to Dr. Callahan, after he became the COE Dean, he was notified by the President's Office the free registration was not allowable. We confirmed with an official from the President's Office the waived registration fees were not to be provided to the Director and Principals after July 1, 2008, at the discretion of the University's President. The Director and the Principals were informed by University officials they would not be allowed to have the registration fees waived. However, they were allowed to add the amounts not paid for the 2007/2008 academic year to their 2007 and 2008 W-2's as a taxable benefit. In addition, a portion of the amounts not paid for the 2006/2007 academic year were added to their 2007 W-2's as a taxable benefit.

The waived fees for the 2004/2005 through 2007/2008 academic years were identified during the fieldwork performed by staff from the Board of Regents' Office of Internal Audit. At the direction of the University's President, the value of a portion of the waived fees were added to the Director's and Principals' W-2 forms. **Table 4** summarizes the amount of the registration fees which should have been charged to the administrators for their children to attend the School, the amounts added to their W-2's as taxable benefits, the amounts paid and the amounts not paid. Additional information about the amounts owed by each official follows the **Table**.

Table 4

Description	James Stichter	J.D. Cryer	David Smith	Total
Registration fees for 2004/2005 academic year	\$ -	-	1,350.00	1,350.00
Registration fees for 2005/2006 academic year	-	-	1,425.00	1,425.00
Registration fees for 2006/2007 academic year	1,300.00	1,300.00	1,500.00	4,100.00
Registration fees for 2007/2008 academic year	1,119.00	2,666.50	15,999.00	19,784.50
Subtotal	2,419.00	3,966.50	20,274.00	26,659.50
Included on 2007 W-2	(1,209.50)	(3,316.50)	(8,712.00)	(13,238.00)
Included on 2008 W-2	(559.50)	-	(7,999.50)	(8,559.00)
Difference	\$ 650.00	650.00	3,562.50	4,862.50

According to the University's payroll staff, the amounts remaining are equal to half of the registration fees for the 2006/2007 academic year and any other previous years. However, the amount remaining for Mr. Smith is slightly off because the wrong amount of fees were initially reported to the payroll personnel. When preparing Mr. Smith's 2007 W-2, payroll personnel were told the registration fee for the 2006/2007 academic year was \$1,425.00 rather than the \$1,500.00 correct amount. The W-2's had been completed for prior years and could not be revised. The University made the decision to include any fees received after January 2007 on the W-2's for 2007 and 2008. As shown in the **Table** above, \$4,862.50 of fees were not paid by the Administrators of the School. This amount is included in **Table 2**.

Stichter – James Stichter is the High School Principal. Mr. and Mrs. Stichter enrolled a child at the preschool for the 2006/2007 academic year. Half of the \$1,300.00 fee was subsequently included in Mr. Stichter's 2007 W-2 as a taxable benefit. The remaining half of the fee was not paid by Mr. Stichter or included in his W-2.

During the 2007/2008 academic year, Mr. and Mrs. Stichter enrolled an elementary student and a high school student at the School. Because the family lived in the Zone, the basic registration fee was charged for each student. In addition, \$67.00 was charged to the family for the high school student's activity fee and music materials. Half of the \$1,119.00 was included in Mr. Stichter's 2007 W-2 along with half of the 2006/2007 fee. The remaining half of the 2007/2008 fees was included in his 2008 W-2.

Cryer – J.D. Cryer is the Elementary School Principal. Mr. and Mrs. Cryer enrolled a child at the preschool for the 2006/2007 academic year. Half of the \$1,300.00 fee was subsequently included in Mr. Cryer's 2007 W-2 as a taxable benefit. The remaining half of the fee was not paid by Mr. Cryer or included in his W-2.

During the 2007/2008 academic year, Mr. and Mrs. Cryer enrolled an elementary student at the School. For the first part of the 2007/2008 academic year, Mr. and Mrs. Cryer resided outside the Zone. We reviewed a fee sheet showing \$5,333.00 was properly charged to the family for tuition-in fees. However, they moved into the Zone during the second semester of the year. Because of the move, only half of the 2007/2008 tuition-in fee was included in Mr. Cryer's 2007 W-2 along with half of the 2006/2007 fees.

Because Mr. and Mrs. Cryer also paid the School the basic registration fee for the 2007/2008 academic year, the \$526.00 fee paid was recorded as a negative taxable benefit on Mr. Cryer's April 30, 2008 paycheck.

The School did not have a written policy regarding the amount of registration fees to be paid or refunded when a student moves into or out of the Zone mid-year or when a student enrolls at or leaves the School mid-year. We also determined the School does not consistently charge or refund registration fees for years during which a student's enrollment status changes.

Smith – As stated previously, David Smith became the Director of the School in 2004. At the time he became the Director, he and his family lived in the Zone and the basic registration fees which would typically had been charged for Mr. Smith’s children to attend the School had reportedly been waived by the Dean of the COE. However, there was not an established policy which provided an exception or waiver from the registration fees for the School’s administrators and no documentation was available to support a waiver of the fees. As previously stated, in late 2007, the University President learned of the waived fees and subsequently informed School officials the registration fees were to be paid.

At the end of calendar year 2007 (mid-way through the 2007/2008 academic year), Mr. Smith and his family moved to a home outside the Zone. Because his children were elementary students living in the Cedar Falls Community School District, they were not eligible for open enrollment to the School. The only option for them to attend the School was to tuition-in.

We spoke with the Superintendent of the Cedar Falls Community School District who stated he was contacted in November or December of 2007 by Dean Callahan. According to the Superintendent, Dean Callahan explained when Mr. Smith was hired the fees for his children to attend the School were “rebated” based on instructions from the former Dean and himself. He also explained the University Business Office had recently informed him they could not “rebate” the fees and, as a result, a significant amount would be added to Mr. Smith’s W-2 because he was currently living outside the Zone. According to the Superintendent, Dean Callahan requested he grant an exception to the residency requirement for the School’s Director which would allow the Director to live anywhere in the Cedar Falls Community School District but, for purposes of enrollment, treat the Director as if his family lived in the Zone. According to the Superintendent, he informed the Dean he did not believe that was ethical and would not grant an exception.

The Superintendent also stated he had talked to the former Cedar Falls Community School District Superintendent who told him Mr. Smith had contacted him and asked if there had ever been an exception for the Director to live outside the Zone but to have his students enrolled at the School. According to the Superintendent, the former Superintendent told Mr. Smith an exception had never been granted.

In addition to being contacted by Dean Callahan, the Cedar Falls Community School District Superintendent stated he received a phone call from Mr. Smith during the spring months of 2007 regarding his residency outside the Zone. According to the Superintendent, Mr. Smith asked if it would be allowable for him to rent a house within the Zone. The Superintendent told Mr. Smith if the intent of renting a home was only for the purposes of having an address which allowed his children to attend the School and not for purposes of making it a residence, it would not be proper.

According to information obtained from Power School® for the 2008/2009 academic year, Mr. and Mrs. Smith had 3 children enrolled at the School. The children were in 4th, 5th and 6th grades. Based on information obtained by the Board of Regents’ Office of Internal Audit, the children resided at 1217 W. 19th Street, Cedar Falls on October 20, 2008, which is a residence within the Zone. According to the Black Hawk County Assessor’s website, the property at this address is owned by Kody Asmus, the School’s Athletics/Activities Director.

According to information in Power School® as of April 1, 2009, the children resided at 1803 Clay Street, Cedar Falls, which is also a residence within the Zone. However, according to the Black Hawk County Assessor’s website, the deed holders of the Clay Street address were Darlene and Willard (“Harold”) Asmus who have resided at the address since 1993. Darlene and Harold Asmus are also the parents of Kody Asmus.

According to the Black Hawk County Assessor’s website, David and Lori Smith are the deed holders for the residence located at 8900 Beaver Valley Road, Cedar Falls, which is outside the Zone.

We interviewed Mr. Smith with the assistance of a special agent from the DCI. During the interview, Mr. Smith stated he moved into Kody Asmus' residence at 1217 W. 19th Street, Cedar Falls in July 2008 and shared the residence with Asmus. According to Mr. Smith, he had a verbal agreement with his spouse to share custody of his children and they periodically stayed with him at the W. 19th Street address. Mr. Smith stated he moved to 1803 Clay Street, Cedar Falls in November 2008. He shared the residence with Harold and Darlene Asmus. During the interview held on April 1, 2009, Mr. Smith stated he had moved back with his family at the Beaver Valley Road address as of the end of March 2009.

During our investigation, we also interviewed Harold Asmus, the owner and occupant of the residence at 1803 Clay Street. He stated Mr. Smith lived at this address regularly from approximately November 2008 through approximately March 2009. Harold Asmus also stated Mr. Smith's children had never resided at this address.

In addition, we interviewed Kody Asmus, who stated Mr. Smith resided with him from approximately July 2008 through approximately February 2009. We are unable to determine why the statements provided by Harold Asmus and Kody Asmus conflict with each other or which, if either, statement is correct.

Kody Asmus stated Mr. Smith's children also stayed at his house on Clay Street 4 or 5 nights per week, approximately every 2 weeks, during that time. It is unclear why Kody Asmus told us Mr. Smith resided with him until approximately February 2009 when Mr. Smith and Harold Asmus stated Mr. Smith resided at the Clay Street address from November 2008 through approximately March 2009. In addition, because Harold Asmus reported Mr. Smith resided at the Clay Street address, it is reasonable to presume the Smith children did not periodically stay at Kody Asmus' home.

When we interviewed Kody Asmus, he also stated he had a written rental agreement with Mr. Smith. However, he was not able to immediately provide us a copy of the rental agreement. We subsequently obtained copies of the rental agreement from both Kody Asmus and Mr. Smith. We have included a copy of the rental agreement in **Appendix 4**.

During our interview with Kody Asmus, he stated Mr. Smith provided a check to him each month for the cost of utilities at the residence in lieu of rent. However, during our interview with Mr. Smith, he stated he paid Kody Asmus \$500.00 rent each month in cash. The rental agreement states the monthly rent was \$620.00. We were unable to determine how Mr. Smith compensated Kody Asmus and we are unable to explain the discrepancies in the statements provided by Mr. Smith and Kody Asmus.

Kody Asmus provided us a copy of a recent month's billing from Cedar Falls Utilities (CFU) for his residence at 1217 W. 19th Street. However, the statement showed the utilities were in Mr. Smith's name. According to Asmus, he had attempted to change the account name back to his own after Mr. Smith moved out, but had not yet been successful.

We also obtained copies of the utilities statements for the 1217 W. 19th Street address directly from CFU for the months of January 2008 through March 2009 and reviewed the amount of water used at the residence during that period. We expected the amount of water used at the residence would have increased during the time Kody Asmus stated Mr. Smith and his 3 children lived at the residence. However, with the exception of the month of August 2008, the amount of water used remained consistent. It did not increase from the minimum usage amount billed by CFU. Based on this analysis, it does not appear Mr. Smith and 3 children stayed at the residence as we had been told.

We confirmed with CFU the name on the account for services provided to 1217 W. 19th Street was changed from Kody Asmus to Dave Smith in July 2008. The account name was returned to Kody Asmus in April 2009.

We also obtained reports from the Board of Regents' Office of Internal Audit staff which document changes made to the University's Phone and E-Mail directory. On August 7, 2008, Mr. Smith changed his home address from 8900 Beaver Valley Road, Cedar Falls to 1217 W. 19th Street, Cedar Falls. It was changed back to the Beaver Valley Road address during April 2009.

Because it appears Mr. and Mrs. Smith's children did not reside at the 19th Street address and, according to Harold Asmus, the children did not stay at the Clay Street address, they did not reside in the Zone during the 2008/2009 academic year. As a result, Mr. and Mrs. Smith should have been required to pay the higher registration fee for their 3 children to tuition-in for the 2008/2009 academic year.

It appears Mr. Smith may have changed his address and placed the utilities account for 1217 W. 19th Street in his name to show his children resided in the Zone so they would be eligible for the less expensive basic registration fee. According to the School's website, beginning with the 2009/2010 academic year, parents/guardians must present proof of residency when registering their students. A copy of a utility bill is specifically listed as an acceptable form of proof of residency.

As illustrated by **Table 5**, the proper registration fees for the Smith children for the 2008/2009 academic year total \$16,500.00. As a result of the incorrect address used for the children, only \$1,629.00 was actually charged to the family. The difference of \$14,871.00 is included in **Table 3**.

Description	Student #1	Student #2	Student #3	Total
Student's grade level	4	5	6	
Proper registration fee	\$ 5,500.00	5,500.00	5,500.00	16,500.00
Fee actually charged	543.00	543.00	543.00	1,629.00
Difference	\$ 4,957.00	4,957.00	4,957.00	14,871.00

The unpaid registration fees for the Smith family total \$18,433.50, which includes \$3,562.50 for the 2004/2005 through 2007/2008 academic years included in **Table 4** and \$14,871.00 for the 2008/2009 academic year included in **Table 5**.

Other Families

In addition to the improper amounts paid by School officials, we identified 11 additional families which did not pay the proper registration fees based on their actual residence. Our findings are listed in the following paragraphs by family. Some of the findings relate to the 2006/2007 through 2008/2009 academic years. Other findings relate to earlier periods.

Because we were unable to determine the accuracy of the addresses recorded for all students each year, we were unable to determine whether additional amounts may have been uncollected. We were also unable to determine if additional amounts were uncollected because adequate records were not available. For instance, when we inquired of a School official if there were any other families she was aware of who recorded false addresses in order to enroll their children in the School, she identified a professor currently employed by the University and a former Provost at the University. The professor's daughter and the Provost's son each graduated prior to the period of our testing.

As stated previously, according to School officials and staff, prior to the 2007/2008 academic year, the tuition-in option was not provided to families who were ineligible to attend the School because their students were elementary age and resided outside the Zone but within the

Cedar Falls Community School District or were denied open enrollment from another school district.

Also, as previously stated, by reviewing School and University financial records, we confirmed no families paid the higher tuition-in fee amount during the 2006/2007 academic year. We were also able to determine the higher tuition-in fee amounts were paid by 2 families during the 2007/2008 academic year and by 7 families during the 2008/2009 academic year. As a result, it appears the tuition-in process was not in place until the 2007/2008 academic year.

However, during our review, we identified an enrollment application for the 2006/2007 academic year which referred to a family “tuitioning-in” from Waterloo. A copy of the document is included in **Appendix 5**. We also reviewed an e-mail from Mr. Smith which referred to discussing the tuitioning-in process with a family for the 2006/2007 academic year. Based on these documents, we are unable to determine with certainty which year the tuitioning-in option was initially provided for students who would otherwise be ineligible to attend the School.

According to School officials we spoke with, prior to the 2007/2008 academic year, elementary students residing in the Cedar Falls Community School District but outside the Zone and students denied open enrollment from other school districts would not have been able to attend the School. However, we identified several families who, by reporting incorrect addresses, successfully enrolled their students in the School prior to the 2007/2008 academic year. We also identified 3 families who reported their actual address outside the Zone but were allowed to enroll their students in the School prior to the 2007/2008 academic year.

If the School had made the tuition-in option available prior to the 2007/2008 academic year, the higher fees which would have been charged for each tuitioned-in student are summarized in **Table 6**. The fees were obtained from the Department of Education and are the same as the amount of State funding designated per pupil by the Department.

Table 6

Academic Year	Tuition-In Fee Amount
2003/2004	\$ 4,655.00
2004/2005	4,748.00
2005/2006	4,938.00
2006/2007	5,135.00

If these families were charged the higher tuition-in fee for the years the students were improperly enrolled prior to the 2007/2008 academic year, the School would have collected an additional \$121,761.00. This amount is summarized by year in **Table 7** and by family and year in **Table 3**. The **Tables** include only the difference between the amount which should have been charged to the families and the amount which was actually charged. The **Tables** also include only the families we identified during our testing for the 2006/2007 through 2008/2009 academic years. We are unable to readily determine if additional families improperly enrolled their students during the years included in the **Table**.

If the families were charged the higher tuition-in fee for the students who were improperly enrolled for the 2007/2008 and 2008/2009 academic years, the School would have collected an additional \$123,639.00. This amount is also summarized by year in **Table 7** and by family and year in **Table 3**.

Table 7

Academic Year	Families who reported incorrect addresses	Families who reported actual addresses not in the Zone	Total
2003/2004	\$ 8,430.00	-	8,430.00
2004/2005	8,596.00	-	8,596.00
2005/2006	35,554.00	8,926.00	44,480.00
2006/2007	50,985.00	9,270.00	60,255.00
Subtotal	103,565.00	18,196.00	121,761.00
2007/2008	52,877.00	9,614.00	62,491.00
2008/2009	61,148.00	-	61,148.00
Subtotal	114,025.00	9,614.00	123,639.00
Total	\$ 217,590.00	27,810.00	245,400.00

Families who reported incorrect addresses

Bigelow – According to information we obtained from Power School® for the 2008/2009 academic year, Angela Bigelow had a child in 2nd grade at the School and the child resided at 1211 W. 19th Street, Cedar Falls which is a residence within the Zone. According to the Black Hawk County Assessor’s website, the deed holders of the W. 19th Street address are Glenn and Freddra Holmes, who have resided at the address since 1990.

According to the University’s registration records, Ms. Bigelow was a student at the University. Her registration information showed she resided at 318 W. 5th Street, Cedar Falls, which is outside the Zone. According to the Black Hawk County Assessor’s website, Ms. Bigelow is the deed holder of the property at that address and has been since 1999.

During our investigation, we determined Angela Bigelow is the daughter of Connie Bigelow, who is a Secretary II at the School. According to School staff members and former staff members we spoke with, it was common knowledge Ms. Bigelow’s grandchild attended the School, even though she did not reside within the Zone.

In conjunction with the DCI, we interviewed Connie Bigelow on April 1, 2009. When we asked if she could tell us the registration rates, she stated you could pay the lower amount if you lived in the Zone. Otherwise, you have to pay the higher rate. As a Secretary at the School, Ms. Bigelow knew the amounts charged for students who tuitioned-in.

We also asked her where Angela Bigelow and her daughter currently reside. She stated they had lived with her in Hudson for the last 2 months. She stated her granddaughter’s father had rented the address at 1211 W. 19th Street. Connie Bigelow admitted she told Angela to record an incorrect address so her granddaughter could attend the School at the lower rate. She also stated she knew other families were doing the same thing, but refused to tell us who they were. Ms. Bigelow also stated the only ones who could afford to tuition-in were families of physicians.

With the assistance of a DCI special agent, we also interviewed the residents at 1211 W. 19th Street on April 1, 2009. Prior to the interview, we observed Connie Bigelow pulling away from the driveway of the residence. Mr. and Mrs. Holmes, the owners and occupants of the residence, verified Connie Bigelow had just been there. According to Mr. and Mrs. Holmes, Connie Bigelow had told them she had used their address for her granddaughter to attend the School. They also confirmed Angela Bigelow’s daughter’s biological father was their nephew. They stated neither their nephew nor Angela Bigelow’s daughter had ever lived at their residence.

In addition, we interviewed Angela Bigelow at her 318 W. 5th Street address. She stated she had lived there for the last 10 years with her daughter. This conflicts with the statement made by Connie Bigelow that Angela and her daughter had lived with her since February 2009.

Angela Bigelow stated she was aware the address used on her daughter’s registration forms was 1211 W. 19th Street. Ms. Bigelow also stated her mother, Connie Bigelow, wanted her daughter to attend the School where she worked and told her what address to put on the registration forms to ensure she would be able to attend the School. Ms. Bigelow stated she was not aware of the difference between the registration fee rates based on the student’s residency because her mother had always paid for her daughter’s fees at the School. We verified Connie Bigelow’s signature was on the fees contracts for Angela Bigelow’s daughter.

We also obtained a copy of a utility bill submitted to the School to verify the student’s address for the 2009/2010 academic year. According to the February 2009 bill, the account for utility services at Connie Bigelow’s residence in Hudson were in Angela Bigelow’s name. We also contacted a representative of the Hudson Community School District and learned an open enrollment request had been filed in February 2009 for Connie Bigelow’s granddaughter. It appears Connie Bigelow had the name on the utility account changed and an open enrollment request was submitted so there would be applicable documentation available to verify the student’s address.

In addition, we reviewed an e-mail from a representative of the Cedar Falls Community School District to a former School employee dated December 22, 2006. The representative of the Cedar Falls Community School District was inquiring about the enrollment status of 2 specific students, 1 of which was Ms. Bigelow’s daughter. According to the e-mail, the 2 students live in Cedar Falls but not in the Zone. The representative asked what the conditions were that allowed the students to attend the School. The representative did not recall getting a response to the e-mail and she was unable to locate the message in her archived e-mails because of its age.

Because Angela Bigelow’s daughter resided outside the Zone, she should have been required to tuition-in rather than being charged the basic registration fee. As illustrated by **Table 8**, the proper registration fees for Angela Bigelow’s daughter for the 2006/2007 through 2008/2009 academic years total \$15,968.00. As a result of the incorrect address used for the student, only \$1,569.00 was actually charged to the family. The difference of \$14,399.00 is included in **Table 3**.

Description	2006/2007	2007/2008	2008/2009	Total
Student's grade level	K	1	2	
Proper registration fee	\$ 5,135.00	5,333.00	5,500.00	15,968.00
Fee actually charged	500.00	526.00	543.00	1,569.00
Difference	\$ 4,635.00	4,807.00	4,957.00	14,399.00

Burt – According to information we obtained from Power School® for the 2008/2009 academic year, Kerry Burt had 2 children enrolled at the School and the children resided at 1815 Franklin Street, Cedar Falls, which is a residence within the Zone. According to the Black Hawk County Assessor’s website, the deed holder of the Franklin Street address is Marguerite Pircer, who has resided there since 2001.

With the assistance of a DCI special agent, we interviewed Ms. Pircer, who stated Kerry Burt is her daughter’s paternal uncle. Ms. Pircer also verified she did not have a guardianship agreement for Mr. Burt’s 2 children who attend the School and neither he nor the children had resided at the address. Ms. Pircer also stated she received mail in Mr. Burt’s name from the School at her

home, which she sent to school with her daughter, who also attends the School, to be delivered to Mr. Burt's son.

It was her understanding Mr. Burt used the Franklin Street address on the children's registration forms so they would be able attend the School. We also interviewed Ms. Pircer's fiancé, who stated he had resided at the Franklin Street address for the last 4 years and Mr. Burt's children had not resided at the address during the time he had been residing there.

According to the Iowa Secretary of State's website, Kerry Burt is a State Representative for District 21. His address is listed as 150 Hawthorne Avenue, Waterloo, which is outside the Zone. In addition, according to the Black Hawk County Assessor's website, Kimberly A. Griffith is listed as the deed holder of 150 Hawthorne Avenue, Waterloo. During an interview with Mr. Burt, he stated Ms. Griffith is his fiancé and he has resided at the address for approximately 13 years.

On April 3, 2009, during an interview with Dean Callahan on the University campus, we learned Mr. Burt had attended a local Legislator's Breakfast. University officials periodically meet with local Legislators to discuss proposed legislation and its impact on the University. The breakfast held in April was attended by University President Benjamin Allen. When we spoke with President Allen, he stated this was the first time Mr. Burt had attended a breakfast. According to the President, after the breakfast, Mr. Burt told him he was possibly 1 of the parents being investigated because he had put an incorrect address on School applications so his children could attend the School. Mr. Burt also told him he had talked to Principal J.D. Cryer that morning prior to the breakfast.

On April 3, 2009, we met with Mr. Cryer regarding his meeting with Mr. Burt. Mr. Cryer stated Mr. Burt came into his office and indicated he was being audited. He stated when his oldest child had started school, he was living in the Zone on Franklin Street. Mr. Burt stated his oldest child's biological mother lived in Cedar Falls and she wanted him to go to Cedar Falls Schools. Mr. Burt stated he was from Waterloo and wanted the child to go there, so they compromised on the School. Mr. Burt also stated he had remarried since then and moved to Waterloo, but kept using the Franklin Street address when he registered his children for school. Mr. Burt stated "the Auditors had talked to him about his falsifying records."

With the assistance of a DCI special agent, we met with Mr. Burt and his attorney on April 29, 2009. During the meeting, Mr. Burt admitted he completed the enrollment/registration forms for his children. The forms showed the students resided at 1815 Franklin Street. However, neither he nor the children had ever resided at that address.

During the interview, we asked Mr. Burt if he applied for open enrollment for the children from the Waterloo Community School District. Mr. Burt stated when he had initially tried to open enroll from the District, he was told by a District Administrator it was unlikely the open enrollment would be approved. Mr. Burt stated he completed the forms, but had never received a denial letter from the District or the School. Mr. Burt also stated he spoke with a specific representative of the Waterloo Community School District. When we contacted that individual, he confirmed he worked with open enrollment applications for several years. He also stated he did not specifically remember an open enrollment application for Mr. Burt's children. When asked if he had any conversations with Mr. Burt, the individual stated "I know Kerry Burt and I did not have any conversations with him."

We verified with representatives of the Waterloo School District an open enrollment application had not been filed for Mr. Burt's children and the children were not approved for open enrollment. As a result, the children were not eligible to attend the School prior to the 2007/2008 academic year. In addition, for the 2007/2008 and 2008/2009 academic years, the family should have tuitioned-in in order for the children to attend the School.

Mr. Burt stated on the same day he applied for open enrollment from the Waterloo Community School District, he went to the School to discuss with administrators how he would be able to have his oldest child attend the School. Mr. Burt's oldest child has attended the School since the 2001/2002 academic year.

According to Mr. Burt, he talked to Mr. Smith with a secretary present. Mr. Burt stated Mr. Smith pointed to the enrollment/registration form and told him "you need an address in the Zone for your son to attend Price Lab School". During the 2001/2002 academic year, Mr. Smith was the High School Principal, not the Director. It is unclear why Mr. Smith would have assisted Mr. Burt in completing the application forms for his son. In addition, when we met with Mr. Smith on April 1, 2009, he stated he "didn't know anything about Kerry Burt." It was not readily apparent what Mr. Smith was referring to because he had not been asked about the fees paid by Mr. Burt or any other parents.

When asked if someone at the School had provided him the address to put on the form, Mr. Burt responded, "No, but Mr. Smith and several other staff knew my niece lived at the 1815 Franklin Street and no one questioned it". Mr. Burt went on to state Mr. Smith knew he had a Waterloo address. Mr. Burt also stated he was not aware of the tuition-in registration rate until recently.

When we spoke with a former School employee, she recalled a remark made by Mr. Burt during the registration process one year. According to the former employee, Mr. Burt stated "I guess I have to keep using this address because you haven't lowered the tuition yet." This statement conflicts with Mr. Burt's statement he was unaware of the higher tuition-in registration rate until recently.

When asked about his meeting with Mr. Cryer, Mr. Burt stated he did not recall admitting he falsified the enrollment forms/registrations. He also stated he was in paying lunch fees and decided to meet with Mr. Cryer. Mr. Burt also stated he met with President Allen at a Legislative breakfast regarding recent legislation he was working on or had worked on as a Representative in the Iowa Legislature. Mr. Burt stated the investigation was brought up during the meeting and he told President Allen his address may be one of the addresses questioned.

Because the Burt students lived outside the Zone and did not have approval for open enrollment, the Burt family should have tuitioned-in and been charged the higher fee. As illustrated by **Exhibit A**, the proper registration fees for Mr. Burt's children for the 2003/2004 through 2008/2009 academic years total \$41,142.00. As a result of the incorrect address used for the children, only \$4,003.00 was actually charged to the family. The difference of \$37,139.00 is included in **Table 3**.

Eastman – According to information we obtained from Power School® for the 2008/2009 academic year, Todd and Kristi Eastman enrolled 3 students at the School and the children resided at 1615 Washington Street, Cedar Falls, which is a residence within the Zone. According to the Black Hawk County Assessor's website, the deed holders of the Washington Street address are Barry Eastman and Ann Hermann, who have resided at the address since 1996. Also according to the Black Hawk County Assessor's website, Todd and Kristi Eastman have been listed as the deed holders of 1491 Newell Street, Waterloo since 2000.

Mr. and Mrs. Eastman's children were initially enrolled at the School for the 2006/2007 academic year. The registration forms completed for the Eastman family for the 2006/2007 and the 2007/2008 academic years show the children resided at 1491 Newell Street, Waterloo. According to information recorded in Power School®, the children were approved for open enrollment from the Waterloo Community School District. However, we contacted a representative of the District and determined open enrollment had not been approved for the Eastman children for either year. We also determined the following:

- Based on information provided to us by School officials, it appears Mr. and Mrs. Eastman should not have been allowed to enroll their children in the School for the 2006/2007 academic year because the tuition-in process was not available until the 2007/2008 academic year.

By reviewing School and University financial records, we confirmed no families paid the higher tuition-in fee amount during the 2006/2007 academic year. We were also able to determine the higher tuition-in fee amounts were paid by 2 families during the 2007/2008 academic year and by 7 families during the 2008/2009 academic year. As a result, it appears the tuition-in process was not in place until the 2007/2008 academic year.

However, based on a copy of an e-mail provided to us by Mr. Smith, it appears he discussed with Mr. Eastman the need to pay the higher tuition-in fees because the family did not live in the Zone during the 2006/2007 academic year, even though, according to School officials, this process had not yet been implemented. A copy of the e-mail is included in **Appendix 6**. We are unable to determine the validity of the e-mail. It is possible it was created in order to provide an explanation of why Mr. and Mrs. Eastman's children were allowed to enroll at the School for the basic registration fee.

- We reviewed a fee statement/receipt for the Eastman family for the 2007/2008 academic year. The document showed the higher tuition-in fee amount of \$5,333.00 was due for each student enrolled. The amount was also crossed off and the basic registration fee of \$526.00 per child was added with a notation "new address". A copy of the document is included in **Appendix 7**.

A former School employee indicated she asked Mr. Smith which fee sheet she should use for the Eastman family for the 2007/2008 academic year because their address was outside the Zone. According to the former employee, she was directed by Mr. Smith to use the tuition-in fee sheet but to let the Eastman family know they would have to pay only the lower basic registration fee amount. The former employee also stated she did not cross off the higher tuition-in registration fees.

Because the Eastman family lived outside the Zone and had not been approved for open enrollment, the family should have tutioned-in and been charged the higher fee of \$5,333.00 per student.

We also reviewed a letter sent to Mr. and Mrs. Eastman by the School at the 1615 Washington Street address in September 2008. According to the letter, the School is "required to follow up with address confirmation as necessary." However, the letter does not indicate why confirmation was "necessary." We also reviewed the e-mail response sent to Mr. Smith by Mrs. Eastman. It was linked with a copy of a page from a bank statement which showed an account held by Mr. and Mrs. Eastman. The statement for the account was mailed to their attention at the Washington Street address.

With the assistance of a DCI special agent, we interviewed Kristi Eastman. When asked her address, she stated 1491 Newell Street, Waterloo. Without knowing the purpose of our meeting was to confirm student addresses and without prompting, Mrs. Eastman also quickly provided her husband's address as 1615 Washington Street, Cedar Falls. Mrs. Eastman strongly stated she and her husband were not divorced or separated. She stated they were married but chose to live apart. Mrs. Eastman also stated Mr. Eastman currently did not have the financial means to own his own house within the Zone, so he was living with his brother.

With the assistance of a DCI special agent, we also interviewed Todd Eastman, who stated his brother had a second dwelling on his property and he currently resided in the smaller home. During the interview, Mr. Eastman was unable to quantify the number of nights his children stayed with him at the Cedar Falls location.

A DCI special agent also interviewed Mr. Eastman's brother, Barry Eastman, who admitted Todd, Kristi and/or the Eastman children had never resided at his address. On April 7, 2009, along with a DCI agent, we also spoke with the individual who lives in the second dwelling on Barry Eastman's property. The individual stated she and/or her sister had lived in the residence for approximately 4 years and neither Todd Eastman or his children had stayed in the home during that time.

Because the Eastman students lived outside the Zone and did not have approval for open enrollment, the Eastman family should have tutioned-in and been charged the higher fee. As illustrated by **Exhibit B**, the proper registration fees for the Eastman children for the 2006/2007 through 2008/2009 academic years total \$37,436.00. However, because of actions taken by Mr. Smith for the 2006/2007 academic year registration fees, the incorrect reporting of approved open enrollment for the 2006/2007 and 2007/2008 academic years and because an incorrect address was used for the children for the 2008/2009 academic year, only \$3,681.00 was actually charged to the family. The difference of \$33,755.00 is included in **Table 3**.

Gilbert – According to information we obtained from Power School® for the 2008/2009 academic year, Damian and Angie Gilbert had children enrolled at the School in 7th, 3rd and 1st grades and the children resided at 1910 Clay Street, Cedar Falls, which is a residence within the Zone. According to the Black Hawk County Assessor's website, the deed holders of the Clay Street address are Michael and Vicki Gilbert, who have resided at the address since 1992. According to UNI registration records, Damian Gilbert was a student at the University and his parents resided at 1910 Clay Street.

The information in Power School® also included a home phone number which had the prefix of a Waterloo land line. In addition, whitepages.com showed Angie Gilbert lived at 235 Denver Street, Waterloo. According to the Black Hawk County Assessor's website, the deed holder of that address has been Angie L. Gilbert since 2005. intellius.com listed three addresses for the parents, all of which were in Waterloo.

During our investigation, we interviewed Vicki Gilbert with the assistance of a DCI special agent. She verified she was Damian Gilbert's mother and the grandmother of the students enrolled at the School. She stated it was her idea to have her daughter-in-law list the Clay Street address so her grandchildren could attend the School. She also stated she did not want her grandchildren to attend Waterloo Schools. Using the Clay Street address allowed the family to not send the children to Waterloo Schools.

We attempted to interview Angie Gilbert at the 235 Denver Street, Waterloo address. However, according to a neighbor, the Gilbert family had moved to Texas as a result of a military deployment. According to Vicki Gilbert, the family moved to Texas in November 2008.

We contacted a representative of the Waterloo School District and determined Mr. and Mrs. Gilbert had not filed an open enrollment application for their children to attend the School. As a result, they had not been approved for open enrollment.

Because the family lived outside the Zone and did not have approval for open enrollment, the Gilbert family should have tutioned-in and been charged the higher fee. As illustrated by **Exhibit C**, the proper registration fees for the Gilbert children for the 2003/2004 through 2008/2009 academic years total \$53,798.00. The Gilbert children left the School in November 2008. To be consistent with the prorated fee charged to Principal Cryer, the **Exhibit** includes half of the yearly tuition-in amount for the 2008/2009 academic year. As a result of the incorrect address used for the children, only \$6,097.00 was actually charged to the family. The difference of \$47,701.00 is included in **Table 3**.

Hovey – According to information we obtained from Power School® for the 2008/2009 academic year, Chris and Stephanie Hovey had a 1st grade student enrolled at the School and the child resided at 1476 Laurel Circle, Cedar Falls, which is a residence within the Zone. According to the Black Hawk County Assessor’s website, the deed holders of the Laurel Street address are Jerry and Alma Backstrom, who have resided at the address since 2004. The Backstrom’s are Stephanie Hovey’s parents.

According to whitepages.com, Stephanie K. Hovey resides at 810 Catherine Street, Cedar Falls. Also, according to the Black Hawk County Assessor’s website, the deed holder of 810 Catherine Street, Cedar Falls has been Stephanie K. Hovey since 2007. The Catherine Street address is not in the Zone.

With the assistance of a special agent of the DCI, we interviewed Ms. Hovey on April 1, 2009. She stated she had lived at 810 Catherine Street, Cedar Falls for the past 2 years and she had previously lived at 919 Baltimore, Waterloo. Ms. Hovey stated her parents take care of her child before and after school. She also stated when she initially enrolled her son at the School for kindergarten for the 2007/2008 academic year, she was unsure where she would be living as she and her husband were in the process of divorcing. Because her parents provided before and after-school care for her son, she used her parents’ address for registering him. She also stated she was not aware of the difference in the fees for families who live in the Zone and those who tuition-in.

Because the family lived outside the Zone and was not eligible for open enrollment because the elementary student lived within the Cedar Falls Community School District, the Hovey family should have tutioned-in and been charged the higher fee. As illustrated by **Table 9**, the proper registration fees for the student for the 2007/2008 through 2008/2009 academic years total \$10,833.00. As a result of the incorrect address used for the child, only \$1,069.00 was actually charged to the family. The difference of \$9,764.00 is included in **Table 3**.

Description	2007/2008	2008/2009	Total
Student's grade level	K	1	
Proper registration fee	\$ 5,333.00	5,500.00	10,833.00
Fee actually charged	526.00	543.00	1,069.00
Difference	\$ 4,807.00	4,957.00	9,764.00

Longnecker – According to information we obtained from Power School® for the 2008/2009 academic year, Jim and Cheri Longnecker enrolled a 3rd grader and a 10th grader at the School and the children resided at 1901 W. 18th Street, Cedar Falls, which is a residence within the Zone. According to the Black Hawk County Assessor’s website, the deed holder of the 1901 W. 18th Street address is Pointe West Apartments, LC. The apartment complex has been owned by Pointe West since 2004. According to the manager at the apartment complex, neither Jim nor Cheri Longnecker are listed on a lease at this address. However, Taylor Longnecker, an older daughter of Mr. and Mrs. Longnecker, resided at that address.

A DCI special agent interviewed the occupants of the apartment at 1901 W. 19th, including Taylor Longnecker. Ms. Longnecker stated neither Mr. or Mrs. Longnecker resided at that address. She also confirmed her 3rd grade sister did not reside with her.

We, along with a DCI special agent, attempted to interview Mr. and Mrs. Longnecker. However, they refused to talk to us.

Because Mr. and Mrs. Longnecker’s 3rd grader lived outside the Zone but within the Cedar Falls Community School District, the Longnecker family should have tutioned-in and been charged the higher fee. The family was charged the correct registration fee for the 2007/2008 and 2008/2009 academic years for the older student because he was in 9th and 10th grade during those years and the family lived in the Cedar Falls Community School District.

As illustrated by **Exhibit D**, the proper registration fees for the Longnecker family for the 2007/2008 through 2008/2009 academic years total \$11,902.00. As a result of the incorrect address used by the family, only \$2,138.00 was actually charged to the family. The difference of \$9,764.00 is included in **Table 3**.

Lund – According to information we obtained from Power School® for the 2007/2008 academic year, Flora Langel J. DeKock and David Lund enrolled a 2nd grade student at the School. The child resided at 1210 W. 19th Street, Cedar Falls, which is a residence within the Zone. According to the Black Hawk County Assessor’s website, the deed holders of the 1210 W. 19th Street address are Walter and Joyce DeKock, who have owned the property since 1964. Also according Power School®, the student lived at 1207 W. 19th Street during the 2008/2009 academic year. This address is also in the Zone. According to intellius.com, Flora DeKock lived at 123 4th Street in Cedar Falls, which is outside the Zone.

With the assistance of a DCI special agent, we interviewed Ms. DeKock at her current residence within the Zone on April 1, 2009. She stated her address previously was 929 Rainbow Drive in Cedar Falls, which is outside the Zone. She stated she used her grandparents’ address prior to the 2008/2009 academic year so her son could attend the School. She stated she wanted to keep the family tradition of her child attending the School.

With the assistance of a DCI special agent, we also interviewed Walter DeKock, the owner of 1210 W. 19th Street. Mr. DeKock stated Flora DeKock had mail delivered to their address, but he was not sure why. He also stated that neither Flora DeKock or her son had lived at the residence.

Because Ms. DeKock’s child lived outside the Zone during the 2007/2008 academic year and was not eligible for open enrollment because the elementary student lived within the Cedar Falls Community School District, the family should have tutioned-in and been charged the higher fee. Ms. DeKock lived within the Zone for the 2008/2009 academic year and the basic registration fee was properly charged for that year. As illustrated by **Table 10**, the proper registration fees for the student for the 2005/2006 through 2007/2008 academic years total \$15,406.00. Of that amount, \$1,501.00 was actually charged to the family. The difference of \$13,905.00 is included in **Table 3**.

Description	2005/2006	2006/2007	2007/2008	Total
Student's grade level	K	1	2	
Proper registration fee	\$ 4,938.00	5,135.00	5,333.00	15,406.00
Fee actually charged	475.00	500.00	526.00	1,501.00
Difference	\$ 4,463.00	4,635.00	4,807.00	13,905.00

South – According to information we obtained from Power School® for the 2008/2009 academic year, April South had 4 children enrolled at the School and the children resided at 121 Sherman Avenue in Waterloo. According to information recorded in Power School®, the students had been approved for open enrollment from the Waterloo Community School District beginning with the 2007/2008 academic year. We confirmed the open enrollment agreement was approved by the District.

For the 2005/2006 academic year, the registration information completed for the students showed they resided at 1920 Campus Street in Cedar Falls, which is a residence within the Zone. For the 2006/2007 academic year, the registration information available from the School did not specify an address for the students. However, according to a former School employee we spoke with, it was known by School administrative personnel the family did not live in Cedar Falls. We spoke with the individual who owns and resides at the Sherman Avenue address in Waterloo. He confirmed Ms. South also resided at the address for a number of years and her children lived there during the 2005/2006 through 2008/2009 academic years.

Because the family lived outside the Zone during the 2005/2006 and 2006/2007 academic years and open enrollment was not approved for the students until the 2007/2008 academic year, the family should not have been allowed to enroll students in the School until the 2007/2008 academic year. As illustrated by **Exhibit E**, the proper registration fees for the students for the 2005/2006 through 2006/2007 academic years total \$40,292.00. As a result of the incorrect address used for the children, only \$3,900.00 was actually charged to the family. The difference of \$36,392.00 is included in **Table 3**.

Since open enrollment was approved for the students beginning with the 2007/2008 academic year, the basic registration fee was properly charged for the 2007/2008 academic year. The students were not enrolled at the School for the 2008/2009 academic year.

Families who reported actual addresses not in the Zone

In addition to families who did not pay the appropriate registration because they did not report their actual residence, we identified 3 families who reported their actual address which was outside the Zone, but the School charged them the basic registration fee rather than the tuition-in registration amount. They are listed in the following paragraphs

Gerdes – According to information we obtained from Power School® for the 2007/2008 academic year, Stan Gerdes and Kathleen Osborn Gerdes enrolled a 6th grade student at the School and the child resided at 8206 Buck Ridge Road in Cedar Falls, which is a residence in the Cedar Falls Community School District but not within the Zone.

The registration form included the correct address for the student. However, the basic registration fee was incorrectly charged to the family. In addition, the School incorrectly charged the basic registration fee for the student during the 2005/2006 and 2006/2007 academic years.

Because the family lived outside the Zone and was not eligible for open enrollment because the elementary student lived within the Cedar Falls Community School District, the family should have tutioned-in and been charged the higher fee for the 2005/2006 through 2007/2008 academic years. The family was charged the correct base registration fee for the 2008/2009 academic year because the student was in 7th grade and the family lived in the Cedar Falls Community School District.

As illustrated by **Table 11**, the proper registration fees for the student for the 2005/2006 through 2007/2008 academic years total \$15,406.00. However, only \$1,501.00 was actually charged to the family. The difference of \$13,905.00 is included in **Table 3**.

Description	2005/2006	2006/2007	2007/2008	Total
Student's grade level	4	5	6	
Proper registration fee	\$ 4,938.00	5,135.00	5,333.00	15,406.00
Fee actually charged	475.00	500.00	526.00	1,501.00
Difference	\$ 4,463.00	4,635.00	4,807.00	13,905.00

Harper – According to information we obtained from Power School® for the 2007/2008 academic year, David and Jennifer Harper enrolled a 1st grade student at the School and the child resided at 3221 Loma Street in Cedar Falls, which is a residence in the Cedar Falls Community School District but not within the Zone.

The registration form included the correct address for the student. However, the basic registration fee was incorrectly charged to the family. Because the family lived outside the Zone and was not eligible for open enrollment because the elementary student lived within the Cedar Falls Community School District, the family should have tutioned-in and been charged the higher fee.

As illustrated by **Table 12**, the proper registration fee for the student for the 2007/2008 academic year was \$5,333.00. However, only \$526.00 was actually charged to the family. The difference of \$4,807.00 is included in **Table 3**. The student was not enrolled at the School for the 2008/2009 academic year.

Description	2007/2008
Student's grade level	1
Proper registration fee	\$ 5,333.00
Fee actually charged	526.00
Difference	\$ 4,807.00

Schmidt – According to information we obtained from Power School® for the 2008/2009 academic year, Joe and Tyler Schmidt enrolled an 8th grade student at the School and the child resided at 7802 W 27th Street in Cedar Falls, which is a residence in the Cedar Falls Community School District but not within the Zone.

The registration form completed by Mr. and Mrs. Schmidt included the correct address for the student. Because the student was in 8th grade, the basic registration fee was correctly charged to the family. However, when the student was enrolled as a 5th and 6th grader in the 2005/2006 and 2006/2007 academic years, the School incorrectly charged the basic registration fee. Because the family lived outside the Zone and was not eligible for open enrollment because the elementary student lived within the Cedar Falls Community School District, the family should have tutioned-in and been charged the higher fee for the 2005/2006 and 2006/2007 academic years. The family was charged the correct base registration fee for the 2007/2008 and 2008/2009 academic years because the student was in 7th and 8th grades, respectively, those years and the family lived in the Cedar Falls Community School District.

As illustrated by **Table 13**, the proper registration fees for the student for the 2005/2006 and 2006/2007 academic years total \$10,073.00. However, only \$975.00 was actually charged to the family. The difference of \$9,098.00 is included in **Table 3**.

Description	2005/2006	2006/2007	Total
Student's grade level	5	6	
Proper registration fee	\$ 4,938.00	5,135.00	10,073.00
Fee actually charged	475.00	500.00	975.00
Difference	\$ 4,463.00	4,635.00	9,098.00

UNCOLLECTED BALANCES DUE TO THE SCHOOL

During our investigation, we obtained revenue printouts of the School's fees posted to the University's accounting system for the 2007/2008 academic year. We traced the postings to the detailed deposit slips prepared by the School's staff. We identified the following findings:

- Two detailed deposit slips were not located within the School's records. The 2 deposits total \$45,278.60. We subsequently obtained sufficient documentation from electronic file copies maintained by a former School employee.
- Fees totaling \$4,756.00 posted to the School's accounts were not supported by detailed deposit sheets.

During our investigation, we traced the fees recorded on the 2007/2008 academic year fee sheets by family to an Excel spreadsheet maintained by the School. We also traced payments made by the families from the School's deposit records to the spreadsheet. We identified the following findings:

- We were unable to trace several payments recorded on the spreadsheets to deposit slips because of lack of detailed records.
- Write-offs of balances were not properly supported or approved.
- Scholarship amounts were not correctly applied to family accounts.
- The balance at the end of the 2007/2008 academic year did not agree with the amount rolled over into the new Power School® system at the beginning of the 2008/2009 academic year. As stated previously, the School began using Power School® during the 2008/2009 academic year to record fee information. The amount brought into the 2008/2009 academic year was \$5,626.89 less than the amount recorded at the end of the 2007/2008 academic year.

Because the School did not properly carry over the complete amount due at the end of the 2007/2008 academic year into the 2008/2009 academic year, the School's collections were \$5,626.89 less than they should have been. The School was not able to document why the amounts varied. This amount is included in **Table 2**.

Because we did not test years prior to the 2007/2008 academic year, we are unable to determine what additional amounts, if any, were not properly carried forward from one academic year to the next. As a result, we are unable to determine what additional collections were not received by the School.

Recommended Control Procedures

As part of our investigation, we reviewed the procedures used by the School to calculate registration fees and collect all balances due from families, including registration and miscellaneous fees. An important aspect of internal control is to establish procedures to provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the School's internal controls.

- A. Registration Fees Unpaid by Administrators – Prior to the 2008/2009 academic year, the Director and Principals of the School did not pay the registration fees for their children to attend the School. Documentation showing University approval of this arrangement could not be provided. A portion of the registration fees were subsequently added to the administrators' W-2 forms for 2007 and 2008. However, a portion of the 2006/2007 registration fees remain unpaid by the Principals and the Director has not paid a portion of the 2006/2007 registration fees, as well as registration fees for the 2004/2005 and 2005/2006 academic years.

Neither the University's nor the School's policies provide exceptions to the registration fees to be paid for students to attend the School. Special provisions have not been established which provide free registration for children of School administrators.

In addition, according to a School official we spoke with, a professor currently employed by the University and a former Provost at the University recorded false addresses in order to enroll their children in the School. The professor's daughter and the Provost's son each graduated prior to the period of our testing.

Recommendation – The School should take the steps necessary to recover the unpaid registration fees from the administrators. The School should also implement procedures to ensure all fees are properly paid for all students.

In addition, the School should implement procedures to ensure all residency and enrollment requirements are complied with by all applicants.

- B. Registration Fees for Partial Years – During our testing, we identified several families which moved into or out of the Zone during a given academic year. We also identified students who left or enrolled in the School mid-year. The School did not consistently charge or refund registration fees for years during which students' enrollment statuses changed.

Recommendation – The School should develop a policy regarding how registration fees are calculated and/or refunded when students move into or out of the Zone during an academic year and when students leave or enroll in the School part way through the academic year. The policy should be equitable and be determined using a reasonable prorated basis, such as the number of days, weeks or months of the year already past or remaining in the academic year.

The School should also implement procedures to ensure the amounts charged and/or refunded are appropriate.

- C. Verification of Addresses – The amount of registration fees charged to a family are dependent on the address at which the student resides. Prior to the 2009/2010 academic year, families were not required to submit address verifications.

Currently, the School requires 2 forms of address verification from each family. Verification may include:

- a driver's license showing the student's address,
- a lease, rental or purchase agreement for a home with the student's address
- a voter's registration card, utility and/or phone bill addressed to the parent/guardian at the student's address.

In addition, the parent/guardian for each student is required to sign an address attest letter stating the student lives at the address and the School will be notified of any address changes within 30 days of the change.

However, we identified 2 students for whom documentation submitted complies with the requirements established by the School but, based on interviews we conducted with the assistance of DCI special agents, the students do not live at the addresses reported to the School. Specifically, we reviewed:

- a utility bill submitted for the Bigelow family which showed the parent's name with an address in Hudson. However, neither the student nor her parent currently or previously lived at the address listed.
- a bank statement submitted by the Eastman family, but neither the students nor the parents live at the address shown on the statement.

It is apparent these documents were submitted to comply with the School's verification requirements, but they were created or addresses were changed to circumvent the controls established by the School.

During our testing we identified a number of families who reported incorrect addresses to the School. As a result, the amount of registration fees they paid was significantly less than the amount they should have paid.

Recommendation – The School should implement procedures to ensure the documents submitted as verification of the student's address are reasonable and valid. In addition, the School should consider requiring the following documents:

- If the student's home is rented, a copy of a signed and dated lease.
- If the student's home is owned by the parent/guardian, a copy of the most recent tax bill showing the parent's name.
- If the student's home is being bought on contract, a copy of the contract for sale with the closing date, including the buyer and seller.

In addition, the School should take the steps necessary to recover the unpaid registration fees from the families identified.

- D. Waivers to Residency Requirements – We identified an instance in which the Director allowed a family who did not meet the residency and/or open enrollment requirements established by the School to enroll their children for the basic registration fee amount. The School does not have any written policies which provide the Director the authority to allow such exceptions.

Recommendation – The School should determine under what circumstances, if any, exceptions should be granted. If such circumstances are identified, appropriate written policies should be developed which clearly state the circumstances to be met and the approval requirements to be completed.

E. Amounts Due from Families – We traced the fees recorded in the 2007/2008 fee sheets by family to an Excel spreadsheet maintained by the School. We also traced payments made by the families from the School’s deposit records to the spreadsheet. We identified the following:

- We were unable to trace several payments recorded on the spreadsheet to deposit slips because of the lack of detailed records.
- Write-offs of balances were not properly supported or approved.
- Scholarship amounts were not correctly applied to family accounts.
- The balance of registration and miscellaneous fees due from families at the end of the 2007/2008 academic year did not agree with the amount brought into the new Power School® system at the beginning of the 2008/2009 academic year. The amount brought into 2008/2009 was \$5,626.89 less than the amount recorded at the end of 2007/2008.

Recommendation – The School should implement procedures to ensure fees and payments recorded in Power School® are recorded for the appropriate amounts and are properly supported by adequate documentation. In addition, the financial information recorded in Power School® should be periodically reviewed by a person independent of other financial duties and compared to supporting documentation.

F. Supporting Documentation – We obtained revenue printouts of the School’s fees posted to the University’s accounting system for the 2007/2008 academic year and traced the postings to the detailed deposit slips prepared by the School’s staff. We identified the following:

- 2 detailed deposit slips were not located within the School’s records. The 2 deposits total \$45,278.60. We subsequently obtained sufficient documentation from electronic file copies maintained by a former School employee.
- Fees totaling \$4,756.00 posted to the School’s accounts were not supported by detailed deposit sheets.

Recommendation – Supporting documentation should be maintained for all financial transactions.

G. Certified Enrollment – In accordance with Chapter 257 of the *Code of Iowa*, each school district shall annually report all of the students enrolled in the district in its annual certified enrollment count. The certified enrollment number is used to determine the amount of student funding provided to each district by the State of Iowa. The School does not receive student funding from the State of Iowa based on the number of students enrolled. However, as a result of the students who lived outside the Zone and did not have an approved open enrollment agreement, the students’ resident districts did not receive as much funding as they were entitled to.

Recommendation – The School should work with the Iowa Department of Education to identify the students who lived outside the Zone and did not have an approved open enrollment agreement to determine the effect, if any, on the students’ resident districts’ funding.

Exhibits

**Report on Special Investigation of the
University of Northern Iowa
Malcolm Price Laboratory School**

Report on Special Investigation of the
University of Northern Iowa
Malcolm Price Laboratory School

Registration Fees for the Burt Family
For the period July 1, 2006 through March 31, 2009 and Prior Periods for Certain Students

	<u>Student #1</u>	<u>Student #2</u>	<u>Total</u>
<u>2003/2004 Academic Year:</u>			
Student's grade level	2		
Proper registration fee	\$ 4,655.00	-	4,655.00
Fee actually charged	440.00	-	440.00
Difference	4,215.00	-	4,215.00
<u>2004/2005 Academic Year:</u>			
Student's grade level	3		
Proper registration fee	4,748.00	-	4,748.00
Fee actually charged	450.00	-	450.00
Difference	4,298.00	-	4,298.00
<u>2005/2006 Academic Year:</u>			
Student's grade level	4		
Proper registration fee	4,938.00	-	4,938.00
Fee actually charged	475.00	-	475.00
Difference	4,463.00	-	4,463.00
<u>2006/2007 Academic Year:</u>			
Student's grade level	5		
Proper registration fee	5,135.00	-	5,135.00
Fee actually charged	500.00	-	500.00
Difference	4,635.00	-	4,635.00
<u>2007/2008 Academic Year:</u>			
Student's grade level	6	K	
Proper registration fee	5,333.00	5,333.00	10,666.00
Fee actually charged	526.00	526.00	1,052.00
Difference	4,807.00	4,807.00	9,614.00
<u>2008/2009 Academic Year:</u>			
Student's grade level	7	1	
Proper registration fee	5,500.00	5,500.00	11,000.00
Fee actually charged	543.00	543.00	1,086.00
Difference	4,957.00	4,957.00	9,914.00
<u>Total:</u>			
Proper registration fee	30,309.00	10,833.00	41,142.00
Fee actually charged	2,934.00	1,069.00	4,003.00
Difference	\$ 27,375.00	9,764.00	37,139.00

Report on Special Investigation of the
University of Northern Iowa
Malcolm Price Laboratory School

Registration Fees for the Eastman Family
For the period July 1, 2006 through March 31, 2009 and Prior Periods for Certain Students

	Student #1	Student #2	Student #3	Total
<u>2006/2007 Academic Year:</u>				
Student's grade level	5	3		
Proper registration fee	\$ 5,135.00	5,135.00	-	10,270.00
Fee actually charged	500.00	500.00	-	1,000.00
Difference	4,635.00	4,635.00	-	9,270.00
<u>2007/2008 Academic Year:</u>				
Student's grade level	6	4		
Proper registration fee	5,333.00	5,333.00	-	10,666.00
Fee actually charged	526.00	526.00	-	1,052.00
Difference	4,807.00	4,807.00	-	9,614.00
<u>2008/2009 Academic Year:</u>				
Student's grade level	7	5	K	
Proper registration fee	5,500.00	5,500.00	5,500.00	16,500.00
Fee actually charged	543.00	543.00	543.00	1,629.00
Difference	4,957.00	4,957.00	4,957.00	14,871.00
<u>Total:</u>				
Proper registration fee	15,968.00	15,968.00	5,500.00	37,436.00
Fee actually charged	1,569.00	1,569.00	543.00	3,681.00
Difference	\$ 14,399.00	14,399.00	4,957.00	33,755.00

Report on Special Investigation of the
University of Northern Iowa
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Registration Fees for the Gilbert Family
For the period July 1, 2006 through March 31, 2009 and Prior Periods for Certain Students

	Student #1	Student #2	Student #3	Total
<u>2003/2004 Academic Year:</u>				
Student's Grade Level	2			
Proper registration fee	\$ 4,655.00	-	-	4,655.00
Fee actually charged	440.00	-	-	440.00
Difference	4,215.00	-	-	4,215.00
<u>2004/2005 Academic Year:</u>				
Student's Grade Level	3			
Proper registration fee	4,748.00	-	-	4,748.00
Fee actually charged	450.00	-	-	450.00
Difference	4,298.00	-	-	4,298.00
<u>2005/2006 Academic Year:</u>				
Student's Grade Level	4	K		
Proper registration fee	4,938.00	4,938.00	-	9,876.00
Fee actually charged	500.00	500.00	-	1,000.00
Difference	4,438.00	4,438.00	-	8,876.00
<u>2006/2007 Academic Year:</u>				
Student's grade level	5	1		
Proper registration fee	5,135.00	5,135.00	-	10,270.00
Fee actually charged	500.00	500.00	-	1,000.00
Difference	4,635.00	4,635.00	-	9,270.00
<u>2007/2008 Academic Year:</u>				
Student's grade level	6	2	K	
Proper registration fee	5,333.00	5,333.00	5,333.00	15,999.00
Fee actually charged	526.00	526.00	526.00	1,578.00
Difference	4,807.00	4,807.00	4,807.00	14,421.00
<u>2008/2009 Academic Year:</u>				
Student's grade level	7	3	1	
Proper registration fee	2,750.00	2,750.00	2,750.00	8,250.00
Fee actually charged	543.00	543.00	543.00	1,629.00
Difference	2,207.00	2,207.00	2,207.00	6,621.00
<u>Total:</u>				
Proper registration fee	27,559.00	18,156.00	8,083.00	53,798.00
Fee actually charged	2,959.00	2,069.00	1,069.00	6,097.00
Difference	\$ 24,600.00	16,087.00	7,014.00	47,701.00

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Registration Fees for the Longnecker Family
 For the period July 1, 2006 through March 31, 2009 and Prior Periods for Certain Students

	Student #1	Student #2	Total
<u>2007/2008 Academic Year:</u>			
Student's grade level	9	2	
Proper registration fee	\$ 526.00	5,333.00	5,859.00
Fee actually charged	526.00	526.00	1,052.00
Difference	-	4,807.00	4,807.00
<u>2008/2009 Academic Year:</u>			
Student's grade level	10	3	
Proper registration fee	543.00	5,500.00	6,043.00
Fee actually charged	543.00	543.00	1,086.00
Difference	-	4,957.00	4,957.00
<u>Total:</u>			
Proper registration fee	1,069.00	10,833.00	11,902.00
Fee actually charged	1,069.00	1,069.00	2,138.00
Difference	\$ -	9,764.00	9,764.00

Exhibit E

Report on Special Investigation of the
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Registration Fees for the South Family
For the period July 1, 2006 through March 31, 2009 and Prior Periods for Certain Students

	<u>Student #1</u>	<u>Student #2</u>	<u>Student #3</u>	<u>Student #4</u>	<u>Total</u>
<u>2005/2006 Academic Year:</u>					
Student's grade level	3	3	4	5	
Proper registration fee	\$ 4,938.00	4,938.00	4,938.00	4,938.00	19,752.00
Fee actually charged	475.00	475.00	475.00	475.00	1,900.00
Difference	4,463.00	4,463.00	4,463.00	4,463.00	17,852.00
<u>2006/2007 Academic Year:</u>					
Student's grade level	4	4	5	6	19
Proper registration fee	5,135.00	5,135.00	5,135.00	5,135.00	20,540.00
Fee actually charged	500.00	500.00	500.00	500.00	2,000.00
Difference	4,635.00	4,635.00	4,635.00	4,635.00	18,540.00
<u>Total:</u>					
Proper registration fee	10,073.00	10,073.00	10,073.00	10,073.00	40,292.00
Fee actually charged	975.00	975.00	975.00	975.00	3,900.00
Difference	\$ 9,098.00	9,098.00	9,098.00	9,098.00	36,392.00

Report on Special Investigation of the
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Staff

This special investigation was performed by:

Annette K. Campbell, CPA, Director
Billie Jo Heth, Senior Auditor II
James S. Cunningham, CPA, Senior Auditor II
Gabriel M. Stafford, CPA, Assistant Auditor

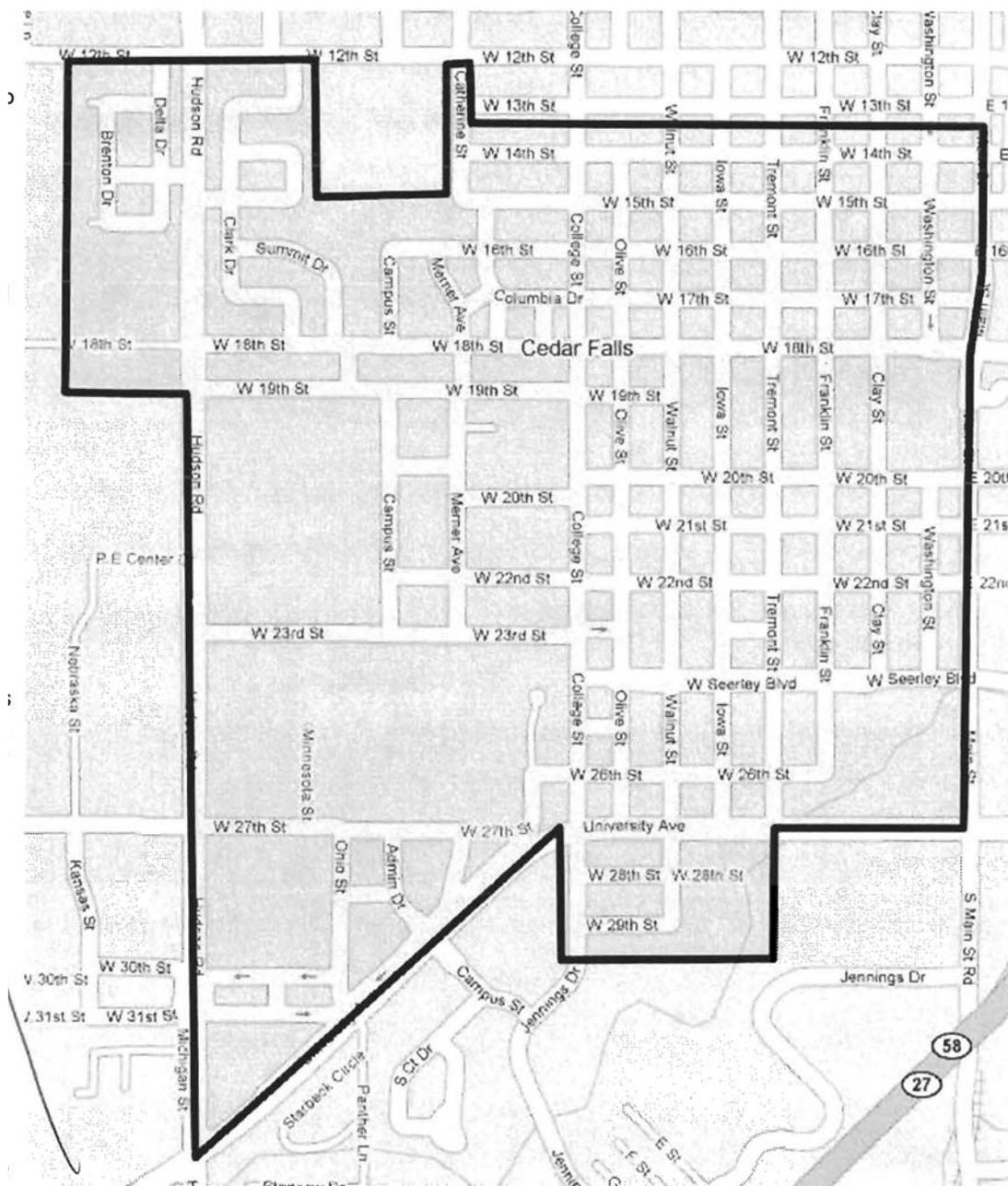


Tamera S. Kusian, CPA
Deputy Auditor of State

Appendices

Report on Special Investigation of the
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Map of the Zone



Report on Special Investigation of the
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Copy of 2007/2008 Registration Form

REGISTRATION INFORMATION

Malcolm Price Laboratory School/Northern University High School

Date: 2/1/07 Perm Number _____

Student's Name: _____ Grade: 12 Birthdate: _____

Address: _____ Telephone: _____

Gender: _____ Social Security #: _____ Ethnic: _____

(Circle One) Student resides with: Mother Father Mother & Father Guardian Other

(Circle One) Mother, Stepmother, Guardian, Other (Circle One) Father, Stepfather, Guardian, Other

Mother/Guardian Name: _____ Father/Guardian Name: _____

Address: _____ Address: _____

Home Phone: _____ Home Phone: _____

Email Address: _____ Email Address: _____

Employer: _____ Employer: _____

Work Phone: _____ Work Phone: _____

Emergency Contact:

Name: _____ Address: _____

Home Phone: _____ Work Phone: _____

MEDICAL INFORMATION:

Student's Physician: _____ Telephone: _____ Ext: _____

Insurance: _____

Allergies: _____

Please provide any health information needed in the event of an emergency with your child. _____

PARENTAL CONSENT:

I do do not _____ provide permission to administer Acetaminophen Ibuprofen antacid _____
or cough drops to my child.

In the case of an illness or injury effecting my child, contact the individuals identified above. If the illness or injury appears serious, I hereby request that a school representative take or send my child to the emergency room at Sartori or _____ Hospital, and bill me for all expenses incurred.

In the event of a parent/guardian cannot be reached: I _____, give a qualified medical person the right to provide necessary medical and/or surgical services for my child in the case of an emergency.

I do do not _____ provide permission to publish our address and phone number on class lists.

Signature _____ Date: _____

FIELD TRIP CONSENT:

I hereby authorize PLS to include the above-name child in any school-sanctioned excursions that his/her class makes with the school. I make this authorization with the understanding that I will receive advance information as to the dates, destination and purposes of all planned excursions through bulletins sent home with my child.

Signature _____ Date: _____

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Copy of Rental Agreement

THE IOWA STATE BAR ASSOCIATION Official Form No. 151		FOR THE LEGAL EFFECT OF THE USE OF THIS FORM, CONSULT YOUR LAWYER
 <h2 style="margin: 0;">DWELLING UNIT RENTAL AGREEMENT</h2>		
IT IS AGREED, by and between <u>Kody Asmus</u>		
Landlord, and <u>Dave Smith</u>		
Tenant: That Landlord hereby lets to Tenant, and Tenant hereby leases from Landlord, the following described premises situated in <u>Black Hawk</u> County, Iowa, to-wit:		
1217 W. 19th Street		
hereinafter referred to as the "dwelling unit", in consideration of the mutual promises of the parties herein, and upon the following terms, provisions and conditions:		
1. TERM. The duration of this Rental Agreement shall be from the <u>25th</u> day of <u>July</u> , <u>2008</u> , and including the <u>25th</u> day of <u>July</u> , <u>2009</u>		
2. RENT. Tenant agrees to pay to Landlord, as rental for said term, as follows: <u>\$620</u> per month, in advance, the first rent payment becoming due upon (i) the execution of this Rental Agreement, or (ii) the _____ day of _____ and the same amount per month, in advance, on the <u>5th</u> day of each month thereafter during the term of this Rental Agreement, with interest on all delinquent rental at <u>2</u> % per annum. All sums shall be paid to the Landlord at <u>1803 Clay Street</u> or at such other place as Landlord may, from time to time, direct.		
3. DEPOSIT SECURITY. At the time of execution of this Rental Agreement, Tenant shall pay to Landlord in trust the sum of \$ <u>1,000</u> (not to exceed two months' rent) to be held and disbursed as a rental deposit pursuant to the provisions of the Iowa Uniform Residential Landlord and Tenant Act).		
4. USE-ABSENCES. Unless otherwise agreed in writing, Tenant shall occupy and use the above-described property as a dwelling unit. Tenant shall notify Landlord of any anticipated extended absence from the premises not later than the first day of the extended absence.		
5. UTILITIES. Utilities shall be furnished and paid for by the party indicated on the following chart:		
	Landlord	Tenant
Electricity		X
Gas		X
Water		X
Garbage		X
Trash Removal		X
Other		
Lawn Service	X	
© The Iowa State Bar Association 2008 IOWADOC5®		
151 DWELLING UNIT RENTAL AGREEMENT Revised January 2008		

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6. **UTILITY RATES.** Tenant hereby acknowledges that Landlord, or the person authorized to enter into this Rental Agreement on Landlord's behalf, has heretofore fully explained to Tenant the utility rates, charges and services for which Tenant will be required to pay, other than those to be paid by Tenant directly to the utility company furnishing service.

7. **MANAGER.** _____
whose address is _____
is the person designated by Landlord to manage the premises (and to receive and receipt for all notices and demands upon the owner of the premises).

8. **MAINTENANCE BY LANDLORD.** Landlord shall:

- (a) Comply with the requirements of applicable building and housing codes materially affecting health and safety.
- (b) Make all repairs and do whatever is necessary to put and keep the dwelling unit in a fit and habitable condition.
- (c) Keep all common areas of the premises in a clean and safe condition, but Landlord shall not be liable for any injury caused by any objects or materials which belong to, or which may have been placed by, a tenant in the common areas of the premises used by Tenant.
- (d) Maintain in good and safe working order and condition all electrical, plumbing, sanitary, heating, ventilating, air-conditioning, and other facilities and appliances, including elevators, supplied or required to be supplied by Landlord.
- (e) Provide and maintain appropriate receptacles and conveniences, accessible to Tenant, for the central collection and removal of ashes, garbage, rubbish, and other waste incidental to the occupancy of the dwelling unit, and arrange for their removal.
- (f) Supply running water and reasonable amounts of hot water at all times and reasonable heat, except where the building that includes the dwelling unit is not required by law to be equipped for that purpose, or the dwelling unit is so constructed that heat or hot water is generated by an installation within the exclusive control of Tenant and supplied by direct utility connection.

If the dwelling unit is a single family residence, it is understood and agreed that Tenant shall perform the Landlord's duties specified in Paragraphs (e) and (f) above, and shall also make whatever repairs, alterations and remodeling, and perform whatever maintenance tasks, as may be specified on an addendum, which shall be attached hereto, and signed by the parties.

9. **MAINTENANCE BY TENANT.** Tenant shall:

- (a) Comply with all obligations primarily imposed upon tenants by applicable provisions of building and housing codes materially affecting health and safety.
- (b) Keep that part of the premises that Tenant occupies and uses as clean and safe as the condition of the premises permit.
- (c) Dispose from the dwelling unit all ashes, rubbish, garbage and other waste in a clean and safe manner.
- (d) Keep all plumbing fixtures in the dwelling unit or used by Tenant as clean as their condition permits.
- (e) Use in a reasonable manner all electrical, plumbing, sanitary, heating, ventilating, air-conditioning and other facilities and appliances, including elevators in the premises.
- (f) Not deliberately or negligently destroy, deface, damage, impair or remove a part of the premises, or knowingly permit a person to do so.
- (g) Conduct himself or herself in a manner that will not disturb a neighbor's peaceful enjoyment of the premises.

In addition, if the dwelling unit is other than a single family residence, Tenant shall perform those repairs, maintenance tasks, alterations or remodeling as shall be specified in a separate writing signed by the parties and supported by adequate consideration; and Landlord shall not treat performance of such separate agreement as a condition to an obligation or a performance of this Rental Agreement.

10. **RULES.** All existing rules concerning the Tenant's use and occupancy of the premises have been furnished to the Tenant in writing. Additionally, Landlord may, from time to time, and in the manner provided by law, adopt further or amended written rules concerning the Tenant's use and occupancy of the premises.

11. **ACCESS.** Landlord shall have the right, subject to Tenant's consent, which consent shall not be unreasonably withheld, to enter the dwelling unit in order to inspect the premises, make necessary or agreed repairs, decorations, alterations or improvements, supply necessary or agreed services, or exhibit the dwelling unit to prospective or actual purchasers, mortgagees, tenants, workmen or contractors; provided, however, that Landlord may enter the dwelling without Tenant's consent, in case of emergency and as otherwise provided in the Iowa Uniform Residential Landlord and Tenant Act.

12. **ASSIGNMENT AND SUBLETTING.** Tenant shall not assign this Rental Agreement, nor sublet the dwelling unit, or any portion thereof, without the written consent of Landlord.

13. **FIXTURES AND IMPROVEMENTS.** Tenant shall leave upon, and surrender to Landlord, with the premises at the termination of this Rental Agreement, all locks, brackets for curtains, and all other fixtures attached to doors, windows or woodwork, and all alterations, additions or improvements made by Tenant, without any payment therefore. Tenant shall make no structural alterations without Landlord's written consent.

14. **FIRE OR CASUALTY DAMAGE.** If the dwelling unit or premises are damaged or destroyed by fire or other casualty to the extent that enjoyment of the dwelling unit is substantially impaired, Tenant may (i) immediately vacate the premises and notify Landlord within fourteen (14) days of Tenant's intention to terminate this Rental Agreement, in which case this Rental Agreement shall terminate as of the date of vacating, or (ii) if continued occupancy is lawful, vacate only that part of the dwelling until rendered unusable by the fire or casualty, in which case, Tenant's liability for rent shall be reduced in proportion to the diminution in the fair rental value of the dwelling unit. If this Rental Agreement is terminated under the provisions of this paragraph, Landlord shall return to Tenant all prepaid rent and security recoverable under the Iowa Uniform Residential Landlord and Tenant Act. Accounting for rent in the event of termination or apportionment shall occur as of the date of the casualty.

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Copy of Rental Agreement

15. **NONPAYMENT OF RENT.** In addition to Landlord's other remedies provided by law, and without prejudice thereto, if rent is unpaid when due, and Tenant fails to pay the rent within three (3) days after notice by Landlord of nonpayment and the Landlord's intention to terminate this Rental Agreement if the rent is not paid within that period of time, then Landlord may terminate this Rental Agreement.

16. **PRESENT AND CONTINUING HABITABILITY.** Tenant has inspected the property and fixtures, and acknowledges that they are in a reasonable and acceptable condition of habitability for their intended use, and that the rent agreed upon is fair and reasonable in this community for premises in their condition. In the event that the condition changes so that, in Tenant's opinion, the habitability and rental value of the premises are affected, then Tenant shall promptly give reasonable notice to Landlord.

17. **NOTICES.** Any notice, for which provision is made in this Rental Agreement, shall be in writing, and may be given by either party to the other, in addition to any other manner provided by law, in any of the following ways: (i) by personal delivery (ii) by service in the manner provided by law for the service of original notice, or (iii) by sending said Notice by certified or registered mail, return receipt requested, to the last known address. For purposes hereof, the place for the payment of rental as provided in Paragraph 2 above, shall be the place designated by Landlord for the receipt of any such notice; and, unless otherwise provided herein, Landlord shall receive and receipt for all notices and demands upon the owner of the premises.

18. **CONSTRUCTION.** Words and phrases herein shall be construed as in the single or plural number, and as masculine, feminine or neuter gender, according to the context.

19. **ENTIRE AGREEMENT.** This writing, including any addendum attached hereto, constitutes the entire agreement between the parties hereto with respect to the subject matters hereof; and no statement, representation or promise with reference to this Rental Agreement, or the premises leased, or any repairs, alterations or improvements, or any change in the term of this Rental Agreement, shall be binding upon either of the parties unless in writing and signed by both Landlord and Tenant.

20. **LEAD-BASED PAINT.** See attached Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards, and the attached pamphlet, *Protect Your Family From Lead in Your Home*.

21. **CERTIFICATION.** Tenant certifies that it is not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person" or any other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control; and it is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity or nation. Tenant hereby agrees to defend, indemnify and hold harmless Landlord from and against any and all claims, damages, losses, risks, liabilities and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing certification.

22. **ADDITIONAL PROVISIONS.** (Termination on sale?) (Identify addendum?)

The tenants will be allowed to have dogs in the house at all times.

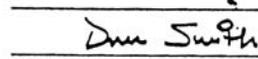
The tenants will have full access to the single stall garage.

The tenants have the option to purchase the property at the agreed upon price of \$112,000 by December 31, 2008.

Dated: July 25, 2008



Landlord



Tenants

Report on Special Investigation of the
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Copy of Enrollment Application for 2006/2007

Page 4 of 4
Updated 3/2/2006

*We will begin accepting applications on March 1st. There will be a 30-day review process during which time the administration of PLS will contact previous school officials in order to complete a full inspection and review of all prior school records and files. You will be notified of placement within 30 days of submission of your application. Applications submitted after May 1st may not receive full consideration.

If a student application is accepted, the student will be placed on a probationary term lasting no more than 90 days after which time the student will gain full admittance to Price Lab School. If, at any time Price Laboratory School believes it does not have the services to meet the needs of any student, that student will need to find placement within his/her home school district.

KAE (Initial Required)

Signed: Justin Eastman Date: 3-27-06
Custodial Parent/Guardian

(Full Open and Honest Disclosure is Expected and Required)

Office Use Only

Received by: Dorothy Burt Date: 3/30/06

Resident of: Basic Zone Buffer Zone Other Waterloo
tuitioning in

Placement offered Letter sent 4/19/06 Accept Deny

Approved _____ Date _____
Price Lab School

Approved _____ Date _____
Sending School District

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Copy of E-mail Regarding Eastman Family Fees

From: "Jeffrey Cornett" [REDACTED]
Subject: **Re: Fee Verification**
Date: September 22, 2008 11:57:10 AM CDT
To: "Dave Smith" <dave.smith@uni.edu>
Cc: "Stichter Jim" <jim.stichter@uni.edu>

Dave,

I recall the circumstance as you stated it.

Thanks,
Jeff

On Mon, Sep 22, 2008 at 12:36 PM, Dave Smith <dave.smith@uni.edu> wrote:
Jeff and Jim - We are being audited on our fees and deposits by the university and I want to make sure that my recollection of the Eastman family fee waiver is accurate back in 2006-07 school year. Please let me know if there are any inaccuracies or if I am missing any other information from what you recall. Thanks - Dave

I do not have the exact date, but we met briefly in late October 2006 to discuss a mistake that we made related to the Eastman family's enrollment fees at PLS. The Eastmans had two kids, Lauren (5th grade) and Charlie (3rd grade) whom they moved from the Waterloo Schools to PLS. They had a Waterloo address when they applied, but they told us that they were buying a house and were moving in to the PLS zone. We told them that they would have to pay the PLS fee to attend and never mentioned anything about having to pay tuition-in fees if they did not have a PLS Zone address. When State Reports were files we listed them as tuition-in students, but again failed to discuss the tuition-in situation with the Eastmans.

When I called Todd Eastman in October and told him that he would have to pay tuition-in fees he told me that no one ever told him anything about tuition-in fee amounts. He also said that he was told by a secretary in the main office that he could live in Waterloo and attend PLS. He said that the secretary told him that we have many families who live in Waterloo and attend PLS. We only told him about normal fee amounts. I met with you and Jim Stichter (shortly after 8am in my office) and explained to you the mistake we made. It was decided that it would not be appropriate to assess the Eastmans additional charges or alter their students education at that time. I communicated to the Eastmans that they would be allowed to remain enrolled for the normal fee amount of \$500 for the remainder of the 2006-07 school year, but they would be enrolled as tuition-in students if they wish to enroll in the future.

Dave Smith
Director
Price Laboratory School

Report on Special Investigation of the
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Copy of 2007/2008 Fee Statement/Receipt for Eastman Family

FEE STATEMENT/RECEIPT
Price Laboratory School-NU High
2007-2008 School Year

FAMILY NAME

Eastman, Todd/Kristi (New Address)

Student(s) #1 [redacted] Gr 4 #2 [redacted] Gr 6
#3 _____ Gr _____ #4 _____ Gr _____

FEES:

- 1. Pre-Kindergarten _____ @ \$1368 = _____
- 2. Kindergarten-12th Grade Registration 2 @ \$5333 = \$10,666 ⁵²⁶ 1052
- 3. 6th-12th Grade Activity Fee 1 @ \$51 = \$51 51
- LESS DEPOSIT PAID - _____
- FEE TOTAL \$10,717.00 1103⁰⁰
- 4. Band Rental (Grades 6th-12th) _____ @ \$74 = _____
- 5. Orchestra Rental (Grades 6th-12th) 1 @ \$74 = \$74 74.00
- 6. Percussion Rental (Grades 6th-12th) _____ @ \$47 = _____
- 7. Music Instructional Materials (per activity)
Chorus _____ Band _____ Orchestra _____
2 @ \$16 = \$32 1177.
32.00
88.05
1,297.05
- 8. Family Meal Account
(Positive Balance carried over from 06-07 school year \$ _____) -12.80 [redacted] \$88.05 30⁰⁰
(NEGATIVE Balance from 06-07 school year \$ _____) -15.25 [redacted]
- 9. Activity Ticket
(Student # _____, # _____, # _____) (Grades K-5th) _____ @ \$40 = _____
(Student # _____, # _____) (Safety Patrol) _____ @ \$0 = _____
Names _____ (Adult) _____ @ \$55 = _____

TOTAL DUE \$10,911.05 1297.05

Amount Paid at Registration 250.00

Outstanding Fees
____ Yes ____ No

Cash _____ Check # 3770 Credit/Debit Card _____
By J. Day Date 8/2/07 1047.05
Remaining Balance Due 10,664.05