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Mr. Tom Torlakson
State Superintendent of Public Instruction
California Department of Education
1430 N Street, Suite 5602
Sacramento, CA 95814

Dear Mr. Torlakson:

This final audit report, "Calculating and Reporting Graduation Rates in California," presents the results of our audit. The purpose of the audit was to determine whether the California Department of Education (CDE) implemented a system of internal control over calculating and reporting graduation rates sufficient to provide reasonable assurance that reported graduation rates were accurate and complete. Our audit period covered the Adjusted Cohort Graduation Rate (ACGR) for school year (SY) 2013–14.[1]

BACKGROUND

In October 2008, the U.S. Department of Education (Department) issued regulations to include requirements for calculating the ACGR. On December 10, 2015, President Obama signed the Every Student Succeeds Act (ESSA), which reauthorized the Elementary and Secondary Education Act of 1965 (ESEA) and codified a similar definition for calculating the ACGR. Requirements under ESSA that pertain to formula grant programs, such as Title I, Part A, of the ESEA, as amended, were effective beginning with SY 2017–18.[2]

The ACGR was designed to provide a uniform and more accurate measure of calculating high school graduation rates that is comparable across States and increases accountability and transparency. It was also intended to be used as an academic indicator to measure student achievement and school performance. To calculate the ACGR, States identify the "cohort" of

[1] For the purposes of this report, we refer to a specific school year cohort as the students who were first-time ninth graders 4 years prior to the reported ACGR. For example, the SY 2013–14 cohort included first-time ninth graders in SY 2010–11.
[2] Although the ESSA ACGR definition was not in effect for the SY 2013–14 ACGR, we considered the ESSA definition in case our audit identified changes in California's practices that were needed for future compliance with ESSA. Unless otherwise noted, all citations are to the 2013 regulations.

first-time ninth graders in a particular school year and adjust this number by adding any students who transfer into the cohort and subtracting any students who transfer out, emigrate to another country, or die. The ACGR is the percentage of students in the cohort who graduate within 4 years. The following shows the ACGR formula for SY 2013–14:

$$\frac{\text{Number of cohort members who earned a regular high school diploma}^{3}\text{ by the end of SY 2013–14}}{\text{Number of first-time ninth graders in Fall 2010 (starting cohort) plus students who transferred in, minus students who transferred out, emigrated, or died during SYs 2010–11, 2011–12, 2012–13, and 2013–14}}$$

} Numerator

} Denominator

The Department first reported the nation's high school graduation rate using the ACGR for SY 2010–11. At that time, the nation's high school graduation rate was 79 percent. The nation's high school graduation rate for SY 2014–15 was 83.2 percent, the highest level since States adopted the ACGR.

California's Graduation Rate

CDE's "Blueprint for Great Schools," first issued in 2011, identified strategies for building a new system of California education and recommended assessing and investing in innovative academic models to help increase high school graduation rates. In 2013, CDE established a goal of achieving a 90-percent high school graduation rate by SY 2017–18.

California's high school graduation rate increased steadily from SYs 2010–11 through 2015–16 but has remained slightly below the national average graduation rate. Table 1 shows the national average graduation rates and California's graduation rates since SY 2010–11.

Table 1. National High School ACGR Compared to California's Reported ACGR

School Year	National ACGR (Percent)[+]	California ACGR (Percent)	Difference
2010–11	79	76	-3
2011–12	80	79	-1
2012–13	81.4	80.4	-1
2013–14	82.3	81.0	-1.3
2014–15	83.2	82.3	-0.9
2015–16	Not Published	83.2	N/A

[+] The National ACGRs for SYs 2010–11 and 2011–12 were reported as whole numbers.

[3] According to Title 34 of the Code of Federal Regulations §200.19(b)(iv), the term "regular high school diploma" means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State's academic content standards or a higher diploma. The term does not include a General Educational Development credential, certificate of attendance, or any alternative award.

CDE's Collection and Reporting of ACGR Data

CDE's educational structure consisted of 435 traditional local educational agencies (LEAs), 61 county offices of education,[4] and 355 directly funded charter schools[5] in SY 2013–14 that reported student data that CDE used for ACGR purposes.[6] All three types of local entities report student data directly to CDE through the California Longitudinal Pupil Achievement Data System (CALPADS) from their local student information systems. CALPADS was created to collect, maintain, and report student level data in various areas, including pupil assessments, enrollment, student and teacher assignments, courses, program participation. It also tracked student data used in calculating the ACGR. Each local entity used a student information system that best suited its needs and generated student data in the required format to upload to CALPADS. CDE created reports from the CALPADS operational data store for the ACGR calculation. CDE based its ACGR calculation on a set of business rules to identify the records that indicate student enrollment status (that is, whether a student was a graduate, still enrolled, transferred, or deceased).

States collect student data from local entities, perform ACGR calculations, and report the student data and ACGR to the Department. We reviewed ACGR data reported by States that included State educational agency level data as well as LEA level data. Of those States, we selected three States to conduct a series of audits, one of which was California. We selected California for review because when we reviewed the Department's data, we found that the sum of the cohort counts reported for California's LEAs did not match the State's total cohort size. The gap between the sum of the individual LEA cohort sizes and the State educational agency cohort size for California was the largest of all States.[7]

We selected Los Angeles Unified School District (Los Angeles Unified), Los Angeles County Office of Education (Los Angeles County), and Opportunities for Learning—Baldwin Park II Charter School (Baldwin Park) to test local entities' controls over the accuracy and completeness of their ACGR data.

Uniform Guidance

In December 2013, the Office of Management and Budget published Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, known as the Uniform Guidance, in Title 2, Part 200 of the Code of Federal Regulation (C.F.R.), which consolidated and superseded requirements from eight circulars. The Uniform Guidance streamlined the administrative requirements, cost principles, and audit requirements for Federal awards. These requirements became effective for grants awarded on or after December 26, 2014.[8]

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[4] CDE defines county offices of education as entities that provide services in the areas of special education and vocational education, programs for youth at risk of failure, and instruction in juvenile detention facilities to school districts within the State.

[5] CDE defines directly funded charter schools as charter school entities that elect to receive funds directly from the State.

[6] Although California has more than 1,600 local entities, only 851 reported student data that California used to calculate ACGR. The other entities do not provide educational services to the twelfth grade student population.

[7] We determined that the reason for the gap was that CDE did not report cohort data for county offices of education separately. See the "Objective, Scope and Methodology" for more detail.

[8] The Uniform Guidance was not in effect during the period covered by our audit; however, compliance with its requirements will be critical going forward for all recipients of Federal awards.

According to 2 C.F.R. §200.303, non-Federal entities are required to establish and maintain effective internal controls over their Federal awards that provide reasonable assurance that they are managing the awards in compliance with Federal statutes, regulations, and the terms and conditions of the awards. These internal controls should comply with established guidance from the U.S. Government Accountability Office and the Committee of Sponsoring Organizations of the Treadway Commission. Further, 2 C.F.R. §200.328 states that non-Federal entities are responsible for overseeing the operations of their Federal award-supported activities and must monitor their activities under Federal awards (including all functions and programs) to ensure compliance with applicable Federal requirements and that performance expectations are being achieved. More specifically, 2 C.F.R. §200.331(d) requires all pass-through entities to monitor subrecipients to ensure compliance with Federal statutes and regulations.

AUDIT RESULTS

We found that CDE's system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete during our audit period. In addition, CDE did not calculate its ACGR in accordance with Federal requirements.

In its comments on the draft report, CDE did not agree with OIG's presentation of facts in Finding Nos. 1 and 2; did not agree with one recommendation; agreed with one recommendation; and neither agreed nor disagreed with four recommendations. Although CDE disagreed with parts of the findings and with some of the recommendations, it provided information regarding its plans to address many of the concerns raised in this report. We did not change the findings or five recommendations; but did modify one recommendation to reflect CDE's plans to update its guidance to local entities regarding its data certification process. We summarized CDE's comments at the end of each finding and included the full text of CDE's comments as Attachment 2.

FINDING NO. 1 – CDE's System of Internal Control Did Not Provide Reasonable Assurance That Reported Graduation Rates Were Accurate and Complete

CDE's system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete. Specifically, CDE did not oversee or monitor the local entities' internal controls over the reliability of ACGR data. This weakness occurred because CDE did not develop and implement a process to ensure accuracy and completeness of ACGR data or to monitor the local entities' internal controls related to ACGR. Based on our testing, we determined that CDE's reported ACGR for SY 2013–14 was not accurate and complete. Consequently, both CDE and the Department risk using inaccurate and incomplete data when describing and reporting on (1) CDE's progress toward raising graduation rates; and (2) CDE's graduation rate accountability as an academic indicator to measure student achievement and school performance.

CDE Did Not Oversee or Monitor Local Entities' Controls Over ACGR Data Reliability
CDE did not have controls in place to oversee or monitor ACGR data that was submitted by local entities. Specifically, CDE did not monitor the local entities' processes to ensure that (1) the ACGR data received from the local entities were accurate and complete, (2) the students who local entities identified as graduates in the cohort met State graduation requirements, or (3) local entities maintained adequate documentation for the removal of students from the cohort.

CDE created a Data Guide that required LEAs to establish a two-level certification procedure for data submissions and communicated to local entities that level 1 certifiers prepare data submissions and level 2 certifiers must attest to the accuracy of the data submitted. However, the certification language required certifiers only to abide by data privacy laws and use CALPADS ethically, and did not address data accuracy and completeness. In addition, the certification language did not require LEAs to disclose known data issues.

We found that even though the local entities were required to have two levels of certification, the same individuals at each of the three local entities we visited certified as both level 1 preparers and level 2 approvers of student data submitted to CALPADS; we determined that this is a conflicting role. In addition, CDE's Data Guide strongly encouraged local entities to establish a data management team that included data stewards who were responsible for ensuring that complete and accurate data were submitted to CALPADS. However, CDE did not monitor local entities to determine whether they followed these requirements and recommendations. The three local entities we visited did not have a formal process to assess the accuracy and completeness of the data submitted to CALPADS through assigning the roles of a data management team. Additionally, CDE did not ensure that local entities designated different individuals to the level 1 and level 2 certifier roles, as required by the CDE Data Guide.

The U.S. Government Accountability Office's "Standards for Internal Control in the Federal Government," (Green Book) may be used by local entities to develop a system that produces accurate and complete data. The Green Book specifically states that management should design appropriate types of control activities, including dividing or segregating key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. Further, the ESEA, as amended by both the No Child Left Behind Act of 2001[9] (Section 9304(a)) and ESSA[10] (Section 8304(a)), require State educational agencies to properly monitor their local entities.

CDE Did Not Identify Inaccurate Local Data Reported
Because CDE did not have controls specific to ACGR data reliability or monitor local entities for ACGR data reliability, CDE did not detect errors in the data local entities reported. CALPADS used edit checks to test student data submitted by local entities for concurrent enrollment (duplicate student records) and exit reason discrepancies (which looked for discrepancies in student enrollment status, start and exit dates, exit reasons, and completion status). However, CALPADS edit checks were not specific to ACGR data elements. Therefore, CDE did not have

[9] The requirements of the ESEA, as amended by the No Child Left Behind Act of 2001 and its implementing regulations, were in effect during the SY 2013–14 cohort.
[10] Although the ESSA amendments were not in effect for the SY 2013–14 cohort, we considered the ESSA requirements for CDE's future compliance with the ESEA, as amended by the ESSA.

reasonable assurance that students identified as graduates by the local entities we sampled met State graduation requirements. Specifically, CDE did not detect that Los Angeles Unified, Los Angeles County, and Baldwin Park erroneously reported students as graduates who did not complete graduation requirements, and Los Angeles Unified included students as graduates who did not complete graduation requirements before the cohort cutoff date, as discussed below.

According to the California Education Code § 51225.3(a)(2), students must meet the State minimum core courses plus other coursework requirements adopted by the local entity board to graduate with a regular high school diploma in California.

We performed testing of random samples of students who were reported as graduates to determine whether they met the State's graduation requirements.[11] Of the 138 students sampled, we found 9 who were misreported as graduates, which included 8 students who should have been counted as nongraduates and 1 who should have been removed from cohort. Based on students' transcripts from Los Angeles Unified and Baldwin Park, 7 of the 9 graduates did not complete all credits required to meet the graduation requirements established by the local entities. In addition, Los Angeles Unified reported one student who was not a first-time ninth grader[12] in SY 2010–11. Los Angeles County reported one student as a graduate who had earned a certificate of proficiency that did not meet the definition of a regular high school diploma. Table 2 shows the results of our testing.

Table 2. Sample Results From Graduate Testing at Local Entities for School Year 2013–2014[13]

Local Entities	Graduates	Sample Size	Students Incorrectly Counted as Graduates
Los Angeles Unified	27,122	45	5 (11%)
Los Angeles County	456	50	1 (2%)
Baldwin Park	169	43	3 (7%)

In addition to the students we randomly sampled, we found that CDE's SY 2013–2014 ACGR included graduates who did not complete the required courses for graduation before the cohort cutoff date. For example, we found that Los Angeles Unified applied courses towards graduation for students who completed the courses at Baldwin Park after the August 15, 2014, cohort cutoff date. These students were marked as graduates of Los Angeles Unified in May or June of 2014. We judgmentally sampled 24 students because they were identified by Baldwin Park officials as being enrolled in classes after the cohort cutoff date and found that Los Angeles

[11] For Los Angeles County and Baldwin Park, we stratified the universe by enrollment duration and increased the sampling rate for short-term enrollment duration; see the "Objective, Scope and Methodology" section for information on our sampling methodology. Consequently, the results pertain only to the sampled students and are not projectable to the universe.
[12] This example is discussed again in Finding No. 2, under "CDE did not always include students in the appropriate cohort."
[13] See the "Objective, Scope and Methodology" section for sampling details on how we selected our samples.

Unified erroneously submitted graduation dates for 12 of these students.[14] Therefore, these students did not graduate in time to be counted in the 4-year cohort. This occurred because Los Angeles Unified backdated graduation dates even though students had not met graduation requirements as of the August 15, 2014, cohort cutoff date.

CDE's edit checks did not identify these students who were incorrectly reported as graduates because CALPADS business rules accepts only the first student exit code reported when a student has codes from multiple entities. The Administrator for the Data Reporting Office (Administrator) at CDE stated that he and other officials were unaware that this had occurred. Finally, because CDE did not monitor local entities' controls over ACGR data, CDE was not aware if local entities sampled maintained adequate documentation for students who were removed from the cohort. We found that Los Angeles Unified, Los Angeles County, and Baldwin Park did not always obtain official written documentation from the receiving schools or retain such documentation to support removal of students from the SY 2013–14 cohort, as discussed below.

According to 34 C.F.R. § 200.19(b)(1)(ii)(B), to remove a student from a cohort, a school or local entity must confirm in writing that the student transferred out, emigrated to another country, or is deceased. For transfers out, a school or local entity must have "official written documentation" to show that a student has enrolled in another school or education program that results in the award of a regular high school diploma. In cases where a student emigrates to another country, the Department's *High School Graduation Rate Non-Regulatory Guidance* (Department guidance), issued December 2008, states that it is sufficient for a school or local entity to obtain information from a parent and document this information in writing in the student's file.

We performed testing of random samples of students who were removed from the cohort to determine whether their removal was properly documented.[15] Of the 110 students sampled, we found that 64 removals from the cohort were unsupported (the documentation for a student's removal from the cohort did not meet Federal requirements). The three local entities did not always maintain official written documentation for students who transferred to a private school, home school, or to another State. Table 3 shows the results of the students removed from cohort testing at the local entities.

[14] These students were not included in our random sample. Baldwin Park officials provided information showing these students attended charter schools under Opportunities for Learning, the management organization that provides services to Baldwin Park, and Options for Youth, another management organization that was a related entity to Opportunities for Learning, after the graduation dates Los Angeles Unified reported.
[15] The results reported pertain only to the sampled students, not the universe; see the "Objective, Scope, and Methodology" section for the sampling methodology used.

Table 3. Sample Results from Cohort Removal Testing at Local Entities

Local Entities	Removals	Sample Size[+]	Unsupported Removals
Los Angeles Unified	2,348	45	22 (49%)
Los Angeles County	58	27	22 (81%)
Baldwin Park	205	38	20 (53%)

[+]One student in Los Angeles Unified sample and two students in the Baldwin Park sample were not first-time ninth graders in SY 2010–11, which reduced the sample size we could evaluate for this attribute.

Los Angeles Unified's school officials annotated in their student information system the reason for the removal but did not always maintain official written documentation as required. School officials at Los Angeles County and Baldwin Park stated that they were unaware that official written documentation was required.

CDE did not detect the issues identified above because it did not define what type of documentation was acceptable to support student transfers for cohort purposes and did not oversee or monitor local entities' controls and processes over the reliability of their ACGR data. According to CDE's Director for the Analysis, Measurement & Accountability and Reporting Division, who is responsible for reporting and calculating the ACGR, CDE did not monitor ACGR data reliability because CDE believed that it was the local entities' responsibility to ensure that they provided accurate and complete information to the State. The Director also stated that it was not feasible to monitor more than 1,600 local entities due to the lack of resources at CDE. However, CDE does compliance monitoring of some local entities each year, and adding steps to the monitoring protocol to check for the accuracy and support for reported graduation rates could have identified the types of issues we found with missing documentation and inaccurate date.

In March 2012, California's State Auditor issued a report, "High School Graduation and Dropout Data," that identified issues similar to those noted during our audit. Specifically, the State Auditor found inconsistent documentation practices at six local entities[16] during its review of the SY 2009–10 ACGR. The State Auditor's report stated that schools in six local entities had inconsistent practices for documenting the reasons students exit high school. CDE officials provided documentation that showed actions taken to address State Auditor recommendations, such as a letter to local entity officials in October 2011 and a presentation that described the importance of submitting accurate information to CALPADS dated February 2012. Although CDE communicated the importance of submitting accurate information to CALPADS, CDE did not make changes to its procedures to oversee and monitor the accuracy and completeness of local entities' student data.

Because CDE's edit checks and certifications made by local entities failed to ensure accurate and supported data, and also because CDE did not oversee or monitor local entities' internal controls over the reliability of ACGR data, CDE did not have reasonable assurance that its SY 2013–14 ACGR was accurate and complete. Both CDE and the Department risk using inaccurate and incomplete data when describing and reporting CDE's progress toward meeting the goal of higher graduation rates.

[16] Los Angeles Unified was one of the six local entities selected.

Recommendations

We recommend that the Acting Assistant Secretary for the Office of Elementary and Secondary Education require CDE to—

1.1 Ensure that local entities have internal controls regarding the accuracy and completeness of ACGR data by:
   1.1.1 Requiring the use of local entity certifications that include language specifically regarding the effectiveness of their systems of internal control and the accuracy and completeness of data submitted to CDE.
   1.1.2 Verifying that local entities follow CDE's guidance on data certifications.
1.2 Develop and implement a process, such as a risk-based monitoring tool, to monitor the local entities' processes to provide better assurance that the data they submit to CDE are accurate and complete.
1.3 Develop and disseminate guidance to local entities about obtaining and maintaining required documentation supporting student removal from a cohort and regarding the importance of inputting accurate data.

CDE Comments

CDE did not agree with Finding No. 1 in its entirety but did agree with certain subsections of the finding. Specifically, CDE appeared to disagree with our reliance on audit work performed at just three local entities to support our finding. CDE also disagreed with the part of our finding concerning its failure to enforce rules regarding the CALPADS certification process. CDE stated that it did not use certified data to calculate the ACGR. Rather, it calculated the ACGR by using operational data store data on student enrollments and exits, which are updated by local entities on an ongoing basis. Consequently, CDE believes that this part of our finding indicates a misunderstanding by OIG of how data are collected and used to calculate the State's ACGR and does not relate directly to the recommendation addressing the certification process. Further, CDE stated that Federal law does not require two levels of certification or that separate individuals must certify the data at each level. However, although CDE did not agree with Recommendation 1.1, it agreed that it is important to ensure that superintendents fully understand what it means to "certify" data, and that doing so increases overall data quality. CDE stated that it would (1) include specific language in its documentation that local entities are certifying to the accuracy and completeness of their data submissions, and (2) add similar verbiage on the certification screen. CDE also stated that its guidance regarding two-level certification is being updated. The updated guidance will require level 1 certification for district CALPADS submissions and level 2 certification for other submissions that require additional certification by an entity above the district, but below CDE.

With regard to the rest of Finding No. 1, CDE agreed that it did not monitor local entities' processes to ensure that (1) students who graduated met State graduation requirements, and (2) local entities maintained adequate documentation for the removal of students from the cohort. However, CDE stated that although it did not monitor local entities' processes, this was not an oversight or a deficiency because California is a local control State. According to CDE, this means that local school boards are responsible for ensuring that students graduating from schools under their purview meet local and State graduation requirements. CDE also stated that a lack of written documentation does not necessarily mean that the reason reported for a student exit or transfer was inaccurate. However, although CDE neither agreed nor disagreed with

Recommendations 1.2 and 1.3, it explained how it plans to address our recommendations. Specifically, with regard to Recommendation 1.2, CDE stated that it will explore leveraging one of two existing processes—State-mandated annual audits of local entities or its own Federal program monitoring—to include ACGR monitoring. Further, with regard to Recommendation 1.3, CDE will use a number of methods to provide guidance to local entities that identify specific types of acceptable documentation to support the various transfer reasons.

OIG Response

Our audit work was performed at three local entities; one being the largest traditional LEA in the State, one being the largest county office of education, and one being the largest directly funded charter school in the State. At each of the three local entities, we interviewed local entity officials responsible for monitoring and oversight of local ACGR data; reviewed local level policies and procedures related to the ACGR, compared transcripts for a sample of graduates to the local entities' graduation requirements and reviewed documentation maintained for a sample of nongraduates, and students who were removed from the cohort. The audit work performed at the three local entities provided sufficient evidence to question the accuracy and completeness of the ACGR.

Our understanding of how data are collected and used to calculate the State's ACGR is based on numerous discussions with CDE officials and the review of relevant documentation. During our audit, CDE officials stated that local entities submit student data (including enrollment and exit data) to CALPADS and certify their submissions. After the submission, the student data are uploaded to the CALPADS operational data store and then used by CDE to build the cohort. CDE officials further clarified that local entities' data are not used in the ACGR calculation unless first certified and provided certification histories for the local entities that we reviewed. We also found that CDE communicated this same information to local entity officials and noted that, because the use of the CALPADS operational data store is critical, it is important for local entity officials to implement local business practices to update CALPADS data, particularly enrollment and exit data, on an ongoing basis.

Also, as noted above, 2 C.F.R. §200.331(d) requires all pass-through entities to monitor subrecipients to ensure compliance with Federal statutes and regulations. This is true regardless of whether a State is considered a local control State. Local school boards may be primarily responsible for ensuring that students graduating from schools under their purview meet local and State graduation requirements; however, local control or responsibility does not alter State oversight responsibilities in Federal programs.

CDE's plans to emphasize the importance of data certifications and to update its two-level certification process should address our recommendation, if implemented. CDE's plans to leverage existing processes to include a focus on ensuring that data local entities submit are accurate and to provide local entities with guidance on the documentation required to support student removals from a cohort should also help address our recommendation if implemented. We did not change our finding or Recommendations 1.2 and 1.3. However, we changed Recommendation 1.1 to reflect CDE's plans to include updates in its guidance to local entities regarding data certification process.

FINDING NO. 2 – CDE Did Not Calculate Its ACGR in Accordance With Federal Requirements

CDE did not calculate its ACGR in accordance with Federal requirements. Specifically, we found that CDE removed students from the cohort who transferred to programs that did not lead to a regular high school diploma and included students as graduates who did not earn a regular high school diploma. The Administrator stated this occurred because he believed that the Department's guidance on this issue was vague regarding the exclusion of students who earned adult education high school diplomas from the cohort or counting students as graduates. However, Department officials verified that CDE did not contact them to obtain clarification on this issue and we found that the Department's guidance clearly states that regular high school diplomas do not include alternative awards. We concluded that correcting for these errors (the removal of students who transferred to adult education or community college from the cohort, and the counting of students who earned an adult education high school diploma or certificate of proficiency as graduates) would have decreased CDE's SY 2013–14 ACGR by about 2 percentage points.[17] Additionally, CDE did not ensure that students in the SY 2013–14 cohort were first-time ninth graders in SY 2010–11, the first year of the SY 2013–14 cohort.

CDE Removed Students From the Cohort for Unallowable Reasons

We determined that CDE, which develops the cohort from local entity data, removed students from the cohort who transferred to an adult education program or community college. These were not allowable reasons for removing a student from the cohort because the programs did not lead to a regular high school diploma. The Administrator agreed that students who transferred to an adult education program earned an adult education high school diploma that differed from the State's regular high school diploma. In addition, the Administrator agreed that students who transferred to a community college did not earn a high school diploma before exiting high school. After students were assigned the exit code for transferring to an adult education program or to a community college, the Administrator at CDE stated that the students were no longer tracked in CALPADS.

We performed testing of random samples of students who were removed from the cohort to determine whether their removal was for allowable reasons.[18] Out of the 110 students we sampled, we found 27 who were erroneously removed from the cohort for unallowable reasons. We found that 25 of the 27 students transferred to an adult education program, and two students transferred to community college. Table 4 shows the results of the students removed from cohort testing at the local entities.

[17] We recalculated the ACGR after correcting the numerator and denominator for issues described in this finding and did not include issues found in Finding No. 1 of this report.
[18] The results reported pertain only to the sampled students, not the universe; see the "Objective, Scope, and Methodology" section for the sampling methodology used.

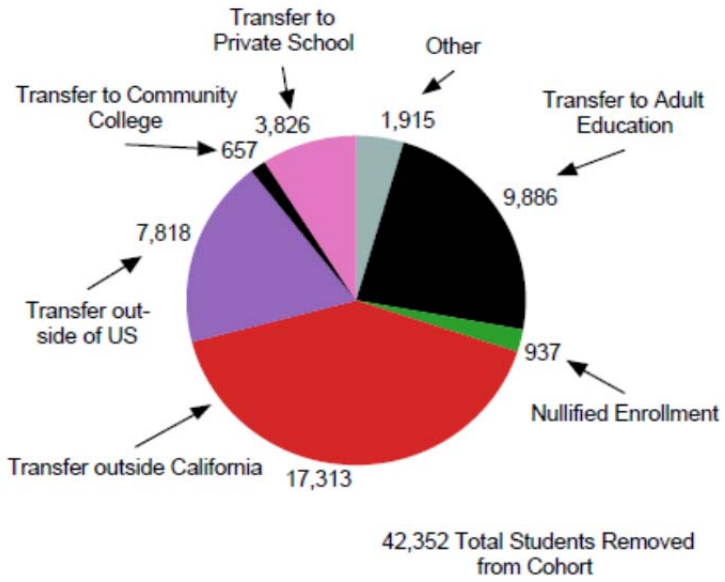
Table 4. Sample Results from Cohort Removal Testing at Local Entities

Local Entities	Removals	Sample Size[+]	Unallowed Removals
Los Angeles Unified	2,348	45	9 (20%)
Los Angeles County	58	27	2 (7%)
Baldwin Park	205	38	16 (42%)

[+]One student in the Los Angeles Unified sample and two students in the Baldwin Park sample were not first-time ninth graders in SY 2010–11, which reduced the sample size we could evaluate for this attribute.

We also tested the total universe of removals and found that CDE improperly removed 10,543 out of 42,352 students (25 percent) removed from the SY 2013–14 ACGR denominator. This included 9,886 students who transferred to an adult education program and 657 students who transferred to community college. Figure 1 shows the total number of students who were removed from the SY 2013–14 cohort. Included in Figure 1 are those students who transferred to an adult education program or community college and were improperly removed from the cohort.

Figure 1. Students Removed From Cohort



CDE Included Students Who Earned Alternative High School Diplomas as Graduates

CDE included students as graduates who earned adult education high school diplomas and certificates of proficiency, which were not allowable reasons for counting students in the SY 2013–14 ACGR numerator because students did not earn a regular high school diploma. These students earned adult education high school diplomas and certificates of proficiency that did not meet the Federal definition of a regular high school diploma. School officials report exit codes through CALPADS when students earn an adult education high school diploma, which requires students to complete different coursework than what is required for students who earn a regular high school diploma. School officials also report exit codes for students who receive a certificate of proficiency for passing the California High School Proficiency Exam, which California State law allows students to take after they attempt 1 year of the tenth grade. CDE included students with both of these exit codes as graduates in the SY 2013–14 numerator.

Although the adult education diploma and the certificate of proficiency were considered equivalent to a high school diploma under State law, documentation that we reviewed did not show that the students earning these diplomas were completing the regular high school diploma coursework required by the local entity.

CDE included 1,849 students who graduated with high school equivalent diplomas that did not align with the Federal definition of a regular high school diploma for ACGR purposes. Table 5 shows the number of students who were improperly included as graduates in the ACGR.

Table 5. Students Improperly Reported in the SY 2013–14 Cohort as Graduates

CALPADS Student Codes	Number of Students Improperly Counted as Graduates	Percentage of Students Improperly Counted as Graduates[+]
Adult Education High School Diploma	623	0.15%
Passed California High School Proficiency Exam	1,226	0.31%
Total	1,849	0.46%

[+]The percentage was calculated using 399,041, the total number of graduates in the ACGR numerator.

According to 34 C.F.R. §200.19(b)(1)(i)(A), a State must calculate a 4-year adjusted cohort graduation rate, defined as the number of students who graduate in 4 years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. In addition, 34 C.F.R. §200.19(b)(1)(iv) states that the term "regular high school diploma" means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State's academic content standards or a higher diploma. A regular high school diploma does not include a General Educational Development credential, certificate of attendance, or any alternative award. Further, according to 34 C.F.R. §200.19(b)(1)(ii)(B)(2), a student who is retained in grade, enrolls in a General Educational Development program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating the graduation rate and must remain in the adjusted cohort.

The Administrator stated that he considered the Department's guidance to be vague because CDE program officials did not know whether to exclude students who earned adult education high school diplomas from the cohort or count students as graduates. We found that the Department's guidance clearly states that regular high school diplomas do not include alternative awards and verified that CDE did not contact the Department to obtain clarification. Also, CDE could have included information about student codes and types of alternative diplomas awarded to students in its Consolidated State Application Accountability Workbook, which would have enabled the Department to provide further clarification to CDE regarding the exclusion of alternative awards. Despite being unsure of how to count alternative high school diplomas, CDE certified the ACGR in the Consolidated State Performance Report to the Department with a certification that the data "… to the best of my knowledge, are true, reliable, and valid."

CDE Did Not Always Exclude Students Appropriately from the Cohort

CDE's process for calculating the SY 2013–14 ACGR did not prevent students from being counted in the incorrect cohort. CDE's cohort building process contained steps to eliminate students who were counted as first-time ninth graders in the previous year. However, it did not contain steps to prevent students from being counted in more than one cohort if they were reassigned to the ninth grade two or more years after their first year as a ninth grader. We found 15 students in our sample of 358 who were not first-time ninth graders in SY 2010–11, and should not have been assigned to the cohort. Of the 15 students, 3 were removed from the cohort; however, the other 12 were included in CDE's ACGR. One was included in the ACGR calculation as a graduate, and 11 were included as nongraduates. These students had been enrolled as first-time ninth graders in a previous year, promoted to one or more higher grades in subsequent years, and then dropped back to the ninth grade based on credits or abilities. This resulted in these students being counted as first-time ninth graders in the incorrect cohort.

According to 34 C.F.R. §200.19(b)(1)(ii), the term "adjusted cohort" means the students who enter ninth grade and any students who transfer into the cohort in grades nine through twelve minus any students removed from the cohort. Therefore, for the SY 2013–14 cohort, students who were first-time ninth graders had to enter high school for the first time in SY 2010–11. In addition, according to 34 C.F.R. §200.19(b)(1)(ii)(B)(2), a student who is retained in grade must remain in the adjusted cohort.

The ACGR data that CDE reported to the Department for the audit period, SY 2013–14, as well as SYs 2010–11 through 2012–13, were inaccurate. CDE understated its denominator, and overstated its numerator for each of these years. Specifically, CDE's removal of students who transferred to an adult education program or to community college understated its denominator. In addition, CDE's inclusion of students who did not earn a regular high school diploma overstated its numerator. We concluded that correcting for these errors (the removal of students who transferred to adult education or community college from the cohort, and the counting of students who earned an adult education high school diploma or certificate of proficiency as graduates) would have decreased CDE's SY 2013–14 ACGR by about 2 percentage points.

Recommendations

We recommend the Acting Assistant Secretary for the Office of Elementary and Secondary Education require CDE to—

2.1 Revise procedures for calculating the ACGR so the calculation is consistent with Federal requirements for calculating the ACGR. Specifically, revise procedures so that students cannot be removed from a cohort for unallowable reasons, and so that students are not counted as graduates if they earn a diploma or certificate that does not meet the Federal definition of a regular high school diploma.

2.2 Review its current cohorts that have not been reported to the Department to gain reasonable assurance that students are assigned to the correct cohort.

2.3 Review prior year cohorts that were inaccurately reported to the Department and correct the ACGR for those years or note that the ACGR was not accurate.

CDE Comments

CDE did not agree with the presentation of Finding No. 2. CDE noted that it believes that the finding as stated unfairly discredits the legitimate reporting of individual student level data by hundreds of local entities as well as the trend in its ACGR. CDE stated that it used the Department's 2008 guidance on high school graduation rates to develop its rules for calculating the ACGR and had, in good faith, consistently calculated an ACGR since SY 2009–10 substantially following Federal requirements. Further, CDE stated that the adjustments the OIG recommended involve a small percentage of students. CDE added that it recognizes that it may need to consider making changes recommended in the Department's 2017 guidance on high school graduation rates, which the Department issued to account for changes under ESSA. In addition, CDE noted that California State law regards students who earn an adult education high school diploma and students who pass the California High School Proficiency Exam as high school graduates.

Although CDE did not agree with the presentation of our finding and neither agreed nor disagreed with Recommendations 2.1 and 2.3, it agreed with Recommendation 2.2 and discussed actions that it will take to address all three recommendations regardless of its agreement or disagreement. Specifically, regarding Recommendation 2.1, CDE's executive leadership will discuss a formal proposal on whether students transferring to community colleges or adult education programs should remain in the cohort. CDE also stated that it will provide clear and specific instructions to local entities noting that diplomas given by adult education programs must meet the requirements of a regular high school diploma and may be subject to audit. Regarding Recommendation 2.2, CDE agreed to review its current cohorts that have not been reported to the Department to gain reasonable assurance that students are assigned to the correct cohort. Finally, for Recommendation 2.3, CDE stated it would evaluate the impacts of recalculating previously reported ACGRs and consider resources to determine which, if any, years to recalculate. CDE stated that if it did not recalculate an ACGR, it will include a statement that specifies how it calculated the published rate and whether the rate included students transferring to community colleges and adult education programs.

OIG Response

Although CDE stated that it used the Department's guidance to develop rules for calculating the ACGR and consistently followed these rules for many years, the guidance does not state or suggest that diplomas from adult education programs qualified as regular diplomas. As a result, CDE counted students who earned alternative high school diplomas as graduates and excluded from its cohorts students who transferred to programs that did not culminate in the award of a regular high school diploma. In the case of adult education, this had the effect of allowing CDE to include students who successfully completed these programs in the numerator while removing those who did not do so from the denominator. Further, we do not dispute CDE's comments that California State law regards students who earn an adult education high school diploma and pass the California High School Proficiency Exam as high school graduates. However, documents that CDE and the local entities provided showed that students earning the adult education high school diploma or the certificate of proficiency did not complete the regular high school diploma coursework required by the local entity and, thus, are alternative awards.

Further, CDE stated that the miscalculation in its ACGR entails a very small number and percentage of students when compared to the entire cohort. However, we note that the miscalculation was sufficiently significant to decrease the SY 2013–14 ACGR by 2 percent

(from 81 percent to 79 percent, which represented 1,849 students who were counted as graduates based on unallowable alternative diploma types and 10,543 students who were removed from the cohort for unallowable reasons), as discussed in our finding. Also, the percentage of students removed from the cohort because of transfer to an adult education program or community college represented 25 percent of all students removed from the cohort.

Regarding CDE's proposed actions to address our recommendations, we note that whether or not adult education high school diplomas align with academic content standards, the diploma must still be a regular high school diploma to be included in the ACGR. Under ESSA, a regular high school diploma is now defined as the standard high school diploma awarded to the preponderance of students in a State that is fully aligned with the State's standards and does not include a general equivalency diploma, certificate of completion, certificate of attendance, or any other similar or lesser credential, such as a diploma based on meeting Individualized Education Program goals. The Department's 2017 guidance on high school graduation rates further notes that States may not include a recognized equivalent of a diploma as a regular high school diploma for the purpose of calculating the ACGR. The guidance also includes modified diplomas in the list of credentials that may not be counted in the numerator. Therefore, to address our recommendations, CDE should work with the Department to ensure that its rules for calculating the ACGR comply with ESSA, particularly with regard to the treatment of adult education high school diplomas, certificates of proficiency, and transfers to adult education and to community college. CDE should also work with the Department to ensure that its plans for either recalculating or noting errors in previously reported ACGRs are responsive to our recommendation. In consideration of all of the above, our finding and recommendations remain unchanged.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether CDE implemented a system of internal control over calculating and reporting graduation rates sufficient to provide reasonable assurance that reported graduation rates were accurate and complete.

We reviewed CDE's system of internal controls related to the calculating and reporting of the ACGR. Our review covered the ACGR for the SY 2013–14 cohort, which included students who were first-time ninth graders in SY 2010–11 and the period of time that CDE used to calculate the ACGR.

To achieve our audit objective, we performed the following procedures:

- Reviewed the State's internal controls over collecting and reporting ACGR data in CALPADS.
- Reviewed applicable State regulations, guidance, and protocols related to the ACGR to ensure they aligned with and complied with Federal regulations and guidance.
- Interviewed State officials responsible for monitoring ACGR data and providing related technical assistance to the local entities, and reviewed their monitoring protocols and tools to determine whether they adequately assessed the reliability of ACGR data.

- Interviewed State officials who manage CALPADS and apply the ACGR calculation to the student data.
- Determined the extent of CDE verification of cohort graduate data at both the State and local entity levels.
- Identified training provided to CDE and local entity employees, including letters, presentations, and guidance, for the submission of student cohort data and evaluated the effectiveness of the training.
- Recalculated the SY 2013–14 ACGR based on revised counts. See Finding 2 for detail.
- Performed testing at CDE of students whose records indicated graduation by the cohort end date but had subsequent enrollments and earned credits after the cohort end date.
- Judgmentally selected three local entities in California for review and performed the following procedures at each local entity:
    - gained an understanding of internal controls related to the ACGR;
    - reviewed local level policies and procedures related to the ACGR;
    - interviewed key local entity officials responsible for monitoring and oversight of local ACGR data; and
    - sampled graduates, nongraduates, and students who were removed from the cohort (see "Sample Testing at Local Entities" below).

State and Local Entity Selections

California is one of three States we selected for a series of audits to assess whether States implemented systems of internal control over calculating and reporting graduation rates sufficient to provide reasonable assurance that reported graduation rates were accurate and complete. We judgmentally selected California because when we reviewed the Department's data, we found that the sum of the cohort counts reported for California's LEAs did not match the State's total cohort size. CDE reports, to the Department, the cohort size (the denominator), the number of students who graduated (the numerator), and the graduation rate for the SEA, traditional LEAs, and directly funded charter schools; and, it reports cohort size and a statewide graduation rate for the county offices of education. The gap between the sum of the individual LEA cohort sizes and the State educational agency cohort size for California was the largest out of all States.

California has three types of local entities: traditional LEAs, county offices of education, and directly funded charter schools. We selected three local entities from the universe of 851 local entities that reported to CDE: Los Angeles Unified (traditional LEA), Los Angeles County (a county office of education), and Baldwin Park (a directly funded charter school). Los Angeles Unified was selected because it was the largest traditional LEA in the State. Los Angeles County and Baldwin Park were selected because they were the largest county office of education and directly funded charter school in the State.

Sampling Methodology

<u>Targeted Graduate Outcome Testing</u>

We performed testing of a judgmental sample of 24 students whose records indicated that they graduated in the SY 2013–14 cohort but who had not earned the required amount of credits to graduate and were enrolled after the cohort end date. We became aware of this group of students from concerns raised by Baldwin Park officials. We initially identified 32 students who had enrollment dates at Opportunity for Learning and Options for Youth after being

reported as a graduate.[19] Of the 32 students, Los Angeles Unified reported 24 as graduates. Los Angeles Unified provided transcripts for 18 of the 24 students.[20] We reviewed the 18 transcripts to determine if the students completed State graduation requirements by the reported graduation date. The results from our testing, which are covered in the "Audit Results" section of this report, pertain only to the students sampled and cannot be projected to the entire universe of students.

Sample Testing at the Local Entities

We performed testing on three random samples of students from each of the selected local entities. We selected random samples from three different recorded outcomes: (1) students recorded as graduates, (2) students recorded as nongraduates, and (3) students recorded as removed from the cohort and who were not included in the ACGR calculation. For the graduate samples for Los Angeles County and Baldwin Park, since both entities reported a large number of students graduating after a short enrollment we stratified graduate samples to increase the selection of students having shorter enrollment durations, which we defined as 90 days or less. Los Angeles County's student data that we obtained from CALPADS included students from a charter school that was not Los Angeles County's responsibility. Los Angeles County officials clarified that they did not have access to nor submit student data for the charter school to CALPADS. Therefore, we excluded those students from Los Angeles County's universe of students. Sample sizes depended on the universe size and our assessment of risk. Tables 6, 7, and 8 show the universe and sample size of the testing performed at the three selected LEAs. The results from our testing, which are covered in the "Audit Results" section of this report, pertain only to the students sampled and cannot be projected to the entire universe of students.

Table 6. Sample Sizes for Testing at Los Angeles Unified

Student's Recorded Outcome	Universe From LEA	Sample Size
Graduate	27,122	45
Nongraduates	11,515	22
Removed From Cohort	2,348	45

Table 7. Sample Sizes for Testing at Los Angeles County[21]

Student's Recorded Outcome	Universe From County Office of Education	Sample Size
Graduate, Shorter Enrollment	77	15
Graduate, Longer Enrollment	379	35
Nongraduates	1,314	44
Removed From Cohort	58	27

[19] The remaining eight students were reported as graduates by other local entities.
[20] Los Angeles Unified officials stated that they were unable to locate six of the 24 students.
[21] The total graduate universe for Los Angeles County was 456; the total graduate student sample was 50.

Table 8. Sample Sizes for Testing at Baldwin Park[22]

Student's Recorded Outcome	Universe From Directly Funded Charter School	Sample Size
Graduate, Shorter Enrollment	23	10
Graduate, Longer Enrollment	146	33
Nongraduates	1,188	44
Removed From Cohort	205	38

*Sample size varied due to universe size. Each sample size was based on a probability calculation so that we could quantify our audit risk.

The sample testing consisted of the following:

- testing student data to determine whether the local entities followed appropriate guidance and regulations for assigning proper student exit codes;
- testing the accuracy of how local entities coded the sampled students; and
- assessing the sufficiency of documentation that supported the removal of a student from the cohort or graduate status of a student, such as a transcript, an official letter from a private school, youth service center, or an out-of-State school confirming student transfer.

We conducted site visits at CDE in Sacramento, California, from September 19, 2016, through September 28, 2016, and April 10, 2017, through April 13, 2017. We conducted site visits at the following local entities: Los Angeles Unified from December 5, 2016, through December 14, 2016; Los Angeles County from February 6, 2017, through February 9, 2017; and Baldwin Park from February 13, 2017, through February 16, 2017. We held an exit conference with CDE on August 15, 2017, to discuss the results of the audit.

We assessed CDE's internal controls over calculating and reporting graduation rates by reviewing CDE's policies and procedures, training provided to CDE staff and local entities, and other relevant documents; testing various cohort samples; and interviewing CDE and local entity officials. We determined that CDE's system of internal controls did not provide reasonable assurance that reported graduation rates were accurate and complete, which we fully reported in the audit results.

We relied, in part, on computer-processed data from CDE's archive file of ACGR data for the SY 2013–14 graduation cohort. We also used CDE's (1) archived cohort file on August 8, 2016, (2) archived cohort removed file on September 8, 2016, and (3) archived enrollment data for students in the cohort file on September 23, 2016. We reconciled the archived cohort file with the information that was submitted to the Department as part of CDE's SY 2013–14 Consolidated State Performance Report. We used the information to select our samples for testing at CDE and the local entities selected. Based on the work performed, we determined the information was sufficiently reliable to be used in meeting the audit objective.

[22] The total graduate universe for Baldwin Park was 169; the total graduate student sample was 43.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following U.S. Department of Education official, who will consider them before taking final Departmental action on this audit:

Jason Botel
Delegated the Duties of the Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue SW
Washington, D.C. 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 calendar days would be appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

/s/

Alyce Frazier, CPA
Acting Regional Inspector General for Audit

Attachments

Attachment 1: Acronyms, Abbreviations and Short Forms Used in This Report

ACGR	Adjusted Cohort Graduation Rate
Administrator	Administrator for the Data Reporting Office
Baldwin Park	Opportunities for Learning—Baldwin Park II Charter School
CALPADS	California Longitudinal Pupil Achievement Data System
CDE	California Department of Education
C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
Department's guidance	High School Graduation Rate Non-Regulatory guidance
Deputy Superintendent	Deputy Superintendent of Public Instruction
ESEA	Elementary and Secondary Education Act of 1965
ESSA	Every Student Succeeds Act
Green Book	The U.S. Government Accountability Office's Standards for Internal Control in the Federal Government
LEA	Local Educational Agency
Los Angeles County	Los Angeles County Office of Education
Los Angeles Unified	Los Angeles Unified School District
SY	School Year

Attachment 2: CDE Comments

CALIFORNIA
DEPARTMENT OF
EDUCATION

TOM TORLAKSON
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

November 6, 2017

Ms. Alyce Frazier
U.S. Department of Education
Office of Inspector General
32 Old Slip
26th Floor – Room 2652
New York, NY 10005

Dear Ms. Frazier:

Subject: Draft Audit Report titled, *Calculating and Reporting Graduation Rates in California*, Control Number ED-OIG/A02Q0005

The California Department of Education (CDE) appreciates the opportunity to comment and provide proposed corrective actions for the recommendations outlined in the United States Department of Education, Office of Inspector General's (OIG) draft report.

General Overall Comments

To provide better perspective to the OIG's audit report, the CDE has the following comments.

The CDE does not concur with the OIG's presentation of facts for Finding No. 1 and further finds that one of the recommendations indicates a misunderstanding of the OIG regarding how data are collected and used to calculate the Adjusted Cohort Graduate Rate (ACGR) in California. Additionally, the CDE does not concur with the OIG's presentation of facts for Finding No. 2 and disputes two of the recommendations. Therefore, to provide context and balance to the report, the CDE provides the following responses to each finding and recommendation below.

FINDING NO. 1 – CDE's System of Internal Control Did Not Provide Reasonable Assurance That Reported Graduation Rates Were Accurate and Complete

CDE's Response

The CDE does not concur with the Finding. CDE calculates the ACGR from enrollment and exit data submitted for individual students by over 850 local educational agencies (LEAs) over the course of four years. The data used for the calculation comes from the

Operational Data Store (ODS) of the California Longitudinal Pupil Achievement Data System (CALPADS). This data is updated on an ongoing basis by LEAs. The OIG based its findings on the review of three LEAs and states that, "CDE did not monitor the local entities' processes to ensure that (1) the ACGR data received from the local entities were accurate and complete, (2) the students who local entities identified as graduates in the cohort met State graduation requirements, or (3) local entities maintained adequate documentation for the removal of students from the cohort."

The OIG noted that "CDE's system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete," which also appears to be based on the review of the three LEAs, and led to the OIG's statement that "CDE did not monitor the local entities' processes." CDE contends that it would be more accurate to state the finding as, CDE did not monitor local entities' processes to ensure that the ACGR data received from the local entities were accurate and complete.

Sub-Finding: "CDE did not monitor the local entities' processes to ensure that (1) the ACGR data received from the local entities were accurate and complete."

CDE's Response

The basis for the finding that "CDE did not monitor local entities' processes to ensure that (1) the ACGR data received from the local entities were accurate and complete" appears to be, in part, on CDE's failure to enforce rules regarding the CALPADS certification process. However, on page 3 of the Audit Report, the OIG states that "CDE created reports from the CALPADS operational data store for the ACGR calculation," but then disregarded this information and based its finding in part on issues related to how data are certified in CALPADS. Since the ACGR is not calculated based on certified data, but rather calculated using ODS data, the recommendation addressing the certification process is not directly related to the finding.

Sub-Finding: "CDE did not monitor the local entities' processes to ensure that (2) the students who local entities identified as graduates in the cohort met State graduation requirements."

CDE's Response

The CDE concurs that it did not monitor local entities' processes to ensure that students who graduated met State graduation requirements. This was not an oversight nor a deficiency by the CDE. The CDE will seek to increase monitoring within their limited authority resources. California is a local control state, which means that local school boards are responsible for ensuring that students graduating from schools under their

purview meet local and state graduation requirements (*Education Code* (*EC*) section 51412.

Sub-Finding: "CDE did not monitor the local entities' processes to ensure that (3) local entities maintained adequate documentation for the removal of students from the cohort."

CDE's Response

The CDE concurs with this finding; however, it is important to note that lack of written documentation does not necessarily mean that the reason reported for a student exit or transfer was inaccurate.

Recommendation 1.1
Establish LEA accountability over ACGR data by requiring the use of:

1.1.1 LEA certifications that include language specifically regarding the effectiveness of their systems of internal control and the accuracy and completeness of data submitted to CDE.

1.1.2 Separate certifications for level 1 and level 2 certifiers by different individuals.

CDE's Response

The CDE does not concur with the recommendations. Federal law and regulations do not require two levels of certification; nor does it require separate certifications for Level 1 and Level 2 Certifiers (or that they are different individuals). In addition, the ACGR is not calculated from certified data. The OIG's recommendation is based on an incorrect understanding of the CALPADS certification process.

There are two levels of certification within CALPADS, however, the primary purpose for this was not to establish "checks and balances" as the OIG implies. The two level certification process is an artifact that was carried over from the State Reporting and Records Transfer System (SRRTS), which preceded CALPADS.

The two level certification is being updated to require Level 1 certification for CALPADS submissions and Level 2 certifications for submissions that require another entity above the district, but below the CDE, to certify.
Federal law and regulations do not require two levels of certification with two separate individuals certifying all data. However, the report indicated that the OIG took issue with

the three audited LEAs having the same individual certifying at both Level 1 and Level 2. It further stated that the CALPADS Data Guide requires two-level certifications. While the CALPADS Data Guide does specify that LEAs designate a Level 1 Certifier and a Level 2 Certifier, it does not require that these be two separate individuals.

The CDE considers it critical that superintendents take responsibility for ensuring the submission of accurate data. In the annual Back-to-School letter and Mid-Year Update letter to superintendents and charter school administrators, emphasis is placed on the importance of certifying accurate data. For example, the September 9, 2017 Back-to-School letter states, "The importance of LEA leadership in data management and their role in reporting accurate data cannot be overstated." In addition, the Back-to-School letter (https://www.cde.ca.gov/ds/sp/cl/yr1617databts.asp) dated August 31, 2016 states, "Carefully review certification reports prior to certification to ensure accuracy. This process is to include executive level signoff that the data are accurate and complete…" These letters also provide superintendents, charter school administrators, and other executive level LEA administrators with information regarding how to take advantage of the training opportunities designed specifically for them.

Although the CDE does not concur with the recommendations, CDE agrees that it is important to ensure superintendents fully understand what it means to "certify" data, and that it increases overall data quality. Therefore, with regard to the specific recommendations, the CDE will: (1) include specific language in its documentation that LEAs are certifying to the accuracy and completeness of their data submission; and (2) add similar verbiage on the certification screen.

Recommendation 1.2
Develop and implement a process, such as a risk-based monitoring tool, to monitor the local entities' processes to provide better assurance that the data they submit to CDE are accurate and complete.

CDE's Response

To ensure that the data submitted by LEAs for the ACGR calculation is accurate, the CDE will explore leveraging one of two existing processes described below to include ACGR monitoring: (1) Annual Audit; or (2) Federal Program Monitoring. Both processes will require one-time staffing resources to develop either audit guidelines or online or onsite monitoring tools.

Option 1: Annual Audit: *EC* section 41020 requires each LEA to annually provide a local audit conducted by a certified public accountant. The audit report must be developed and reported using a format established by the State Controller's Office after

consultation with the State Superintendent of Public Instruction and the Director of the Department of Finance.

Option 2: Federal Program Monitoring: As required by federal and state laws, the CDE monitors the implementation of federal categorical programs operated by LEAs. LEAs may be selected for an onsite or online monitoring review every two years. Several factors, including performance, compliance history, program size, and fiscal analysis are considered in identifying LEAs for reviews.

Recommendation 1.3
Develop and disseminate guidance to local entities about obtaining and maintaining required documentation supporting student removal from a cohort and regarding the importance of inputting accurate data.

CDE's Response

CDE routinely communicates to LEAs and emphasizes the need for accurate data and also the high stakes involved if information is submitted erroneously. In addition, the California School Information Services, in collaboration with the CDE, provides free training in multiple areas that are easily accessible to LEA staff. Additionally, incentives are offered for LEA staff to attend training.

CDE provides instructions including definitions of the various transfer codes and the requirement to have acceptable documentation to support the transfer reason. However, the specifics regarding the type of acceptable documentation is not fully described. Accordingly, in 2017-18 the CDE: (1) included additional informational slides in the CALPADS Information Meeting that identified appropriate documentation (October 17, 2017 meeting); (2) plans to add the acceptable type of documentation to the Transfer Code definitions; (3) will post a Frequently Asked Questions on what is acceptable documentation; (4) will add a section to the CALPADS SSID and Enrollment Procedures document regarding the type of documentation LEAs should maintain to support student transfers; and (5) will include information about appropriate documentation in basic CALPADS trainings.

FINDING NO. 2 – CDE Did Not Calculate Its ACGR in Accordance With Federal Requirements

CDE's Response

The CDE does not concur with the presentation of this finding. In developing the process for calculating the ACGR based on student level data, the CDE utilized the

2008 No Child Left Behind High School Graduation Rate *Non-Regulatory Guidance* in context for transitioning the prior aggregate reporting of graduation rates by LEAs. The CDE developed the initial rules within this context and not on the resulting graduation rate. Once established, these rules were consistently followed. In January 2017 the Every Student Succeeds Act High School Graduation Rate *Non-Regulatory Guidance* was issued and the CDE recognized that it may need to consider making changes recommended in the Non-Regulatory Guidance document.

The CDE has in good faith consistently calculated an ACGR since 2009–10 *substantially* following federal requirements as the adjustments recommended by the OIG entail a very small number and percentage of students. Specifically:

- The OIG determined that the CDE should not have removed from the cohort community college transfers (students who left high school to attend community college), and adult education transfers (students who left high school to attend an adult education program). The CDE found that community college transfers account for **0.11 percent** of the 2015–16 cohort, and adult education transfers account for **1.7 percent** of the 2015-16 cohort.

- The OIG determined that the CDE should not have counted as regular high school diploma graduates, students who received an Adult High School Diploma and students who received a high school diploma based on passing the California High School Proficiency Exam (CHSPE), even though California state law regards these students as high school graduates. The CDE found that students receiving an Adult High School Diploma accounted for **0.15 percent** of the 2015–16 cohort, and students graduating based on passing the CHSPE accounted for **0.32 percent** of the 2015–16 cohort.

The CDE believes the finding as stated unfairly discredits the legitimate reporting of individual student level data by hundreds of LEAs. In addition, as the same rules were followed since 2009–10, there is no reason to believe that the resulting trend in the ACGR is not legitimate. Therefore, the CDE would concur with the finding if stated: *"CDE Calculated the ACGR Substantially in Accordance with Federal Requirements."*

Recommendation 2.1
Revise procedures for calculating the ACGR so the calculation is consistent with Federal regulations and guidelines for the ACGR formula. Specifically, revise procedures so that students cannot be removed from a cohort for unallowable reasons, and so that students are not counted as graduates if they earn a diploma or certificate that does not meet the Federal definition of a regular high school diploma.

Ms. Alyce Frazier
November 6, 2017
Page 7

CDE's Response

The CDE executive leadership will discuss a formal proposal on whether students transferring to community colleges or adult education programs should remain in the cohort. With regard to only counting students as graduates if they earn a "regular high school diploma," California state law deems students who pass the CHSPE to have earned the equivalent of a high school diploma (*EC* section 48412). Therefore, the CDE believes these students should be counted as graduates. California law does not specify that a GED certificate is equivalent to a high school diploma and; therefore, is not counted as a graduate. With regard to students who earn a high school diploma through an Adult Education Program, the requirements for earning these diplomas should be equivalent to the requirements for receiving a regular high school diploma. The CDE will provide clear and specific instructions to LEAs that High School Diplomas given by Adult Education programs must meet the requirements of a regular high school diploma, and may be subject to audit.

Recommendation 2.2
Review its current cohorts that have not been reported to the OIG to gain reasonable assurance that students are assigned to the correct cohort.

CDE's Response

The CDE concurs with this recommendation and will make the adjustment. However, the CDE notes that this adjustment entails a very small number of students.

Recommendation 2.3
Review prior year cohorts that were inaccurately reported to the OIG and correct the ACGR for those years or note that the ACGR was not accurate.

CDE's Response

California's new accountability system, the California School Dashboard, uses the ACGR as one of its multiple measures to show how well students within a district or school are performing against each of the six indicators. The indicators are color-coded with blue the highest rating and red the lowest rating. These performance levels (colors) are based on the "status" and "change" from one year of data to the next. The Graduation Rate indicator is based on the ACGR from multiple years; therefore, recalculating the ACGR has multiple impacts. The CDE will evaluate the impacts and consider resources to determine which, if any, years will be recalculated. If an ACGR is not recalculated, the CDE will include a statement that specifies how the published rate

Ms. Alyce Frazier
November 6, 2017
Page 8

was calculated and whether students transferring to community colleges and adult education programs were included in the cohort.

If you have any questions regarding CDE's responses, please contact Keric Ashley, Deputy Superintendent, Performance, Planning, and Technology Branch, by phone at 916-319-0637, or by e-mail at kashley@cde.ca.gov.

Sincerely,

Michelle Zumot

Michelle Zumot
Chief Deputy Superintendent of Public Instruction

MZ:kl