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OFFICE OF THE AUDITOR GENERAL



THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

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– Article IV, Section 53 of the Michigan Constitution

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AUDITOR GENERAL

April 30, 2013

Mr. Michael P. Flanagan
Superintendent of Public Instruction
Michigan Department of Education
John A. Hannah Building
Lansing, Michigan

Dear Mr. Flanagan:

This is our report on our follow-up of the 5 material conditions (Findings 1 through 4 and 12) and 7 corresponding recommendations reported in the performance audit of the School Report Card Program, Michigan Department of Education (MDE). That audit report was issued and distributed in June 2008. Additional copies are available on request or at <<http://www.audgen.michigan.gov>>.

This report contains an introduction; our purpose of follow-up; a background; our scope; and follow-up conclusions, results, recommendations, and agency responses.

Our follow-up disclosed that MDE had complied with 5 recommendations and had partially complied with 2 recommendations. Reportable conditions exist related to data quality management controls (Finding 1) and school district annual reports (Finding 12). As a result, we have issued 2 repeat recommendations.

If you have any questions, please call me or Scott M. Strong, C.P.A., C.I.A., Deputy Auditor General.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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SCHOOL REPORT CARD PROGRAM

MICHIGAN DEPARTMENT OF EDUCATION

FOLLOW-UP REPORT

INTRODUCTION

This report contains the results of our follow-up of the material conditions* and corresponding recommendations reported in our performance audit* of the School Report Card Program, Michigan Department of Education (MDE), 313-0203-06, which was issued and distributed in June 2008. That audit report included 5 material conditions (Findings 1 through 4 and 12) and 7 other reportable conditions* (Findings 5 through 11). This report also contains the MDE plan to comply with our prior audit recommendations, which was required by the *Michigan Compiled Laws* and administrative procedures to be developed within 60 days after release of the June 2008 audit report.

PURPOSE OF FOLLOW-UP

The purpose of this follow-up was to determine whether MDE had taken appropriate and effective corrective measures in response to the 5 material conditions and 7 corresponding recommendations noted within our June 2008 audit report.

BACKGROUND

MDE's Accountability Program coordinates information for the School Report Card Program. MDE's Accountability Program is located administratively within the Office of Psychometrics, Accountability, Research, & Evaluation under the Bureau of Assessment and Accountability (BAA). The School Report Card is the main dissemination vehicle for reporting school accountability data related to public schools* and districts in the State. MDE's objective relating to the School Report Card Program is to provide accurate, reliable, and timely reporting. MDE publishes School Report Cards for all public schools and districts on its Web site. According to data reported by MDE, there were 832 public school districts and 1,543,588 public school students in Michigan during the 2011-12 school year.

* See glossary at end of report for definition.

For the 2011-12 school year, BAA administered five assessment programs which include the Michigan Educational Assessment Program* (MEAP) for grades 3 through 9, the Michigan Merit Exam* (MME) for high school students, the English Language Proficiency assessment for all grades, and two alternative assessment programs (MI-Access* and MEAP-Access*). BAA administered the MEAP and MME tests to the following number of students in the subjects of reading, writing, mathematics, science, and social studies:

Reading	770,558
Writing	326,972
Mathematics	772,716
Science	333,964
Social Studies	343,629

Of the students who took a State assessment test, 98.0% were public school students and the remaining 2.0% were nonpublic school* and home-schooled students.

The two major components of the School Report Card Program include adequate yearly progress* (AYP) and *Education YES! - A Yardstick for Excellent Schools** (*Education YES!*). AYP is the measure used to hold public schools and districts accountable based on the provisions of Title I* of the federal No Child Left Behind (NCLB) Act of 2001*. In Michigan, AYP measures year-to-year student achievement on the MEAP for elementary and middle schools and on the MME for high schools. AYP also evaluates schools and school districts in the areas of participation in State assessments, graduation rates for high schools, and student attendance for elementary and middle schools. During the 2011-12 school year, 2,726 (82.0%) schools met AYP and 602 (18.0%) did not meet AYP.

Schools that do not meet AYP for two or more consecutive years are considered "identified for improvement" and are subject to various school improvement efforts and penalties, depending on the length of time they have been identified for improvement. After a school is identified for improvement, it continues to be identified until it meets AYP for two consecutive years.

* See glossary at end of report for definition.

Education YES! is the State's school accreditation* system under which letter grades are assigned for academic achievement and for indicators of school performance to determine State accreditation of Michigan schools.

MDE's BAA expended \$47 million during fiscal year 2011-12. Of this amount, the Accountability Program expended \$758,098 during fiscal year 2011-12 to administer the School Report Card Program. The Accountability Program had 8 employees as of September 30, 2012.

SCOPE

Our fieldwork was conducted primarily from August through October 2012. We interviewed MDE and BAA personnel and reviewed their corrective action plans to determine the status of compliance with our audit recommendations for Findings 1 through 4 and 12. We reviewed the follow-up audit performed by the Office of Internal Audit Services, Department of Technology, Management, and Budget, and its assessment of MDE's progress in implementing our prior audit recommendations. We also reviewed applicable sections of the State School Code and NCLB Act to determine whether there were any changes since we issued our performance audit report in June 2008.

We obtained and reviewed the updated programming logic for the School Report Card to determine if changes occurred as a result of our prior audit recommendations. We reviewed the adjusted calculations to the *Education YES!* letter grade score ranges to ensure that nonpublic school students were not included. Also, we pulled a random sample of 25 school districts from the 2010-11 and 2011-12 school years that applied for an exception to the 1.0% cap for students with disabilities. We reviewed the applications for these school districts to determine if they were properly authorized. For the 2011-12 school year, we reviewed 25 Title I school districts for compliance with the State School Code and NCLB Act regarding parental notification requirements. We also reviewed the annual educational reports of an additional 10 non-Title I school districts identified for improvement to determine if parents were made aware of the schools' status.

* See glossary at end of report for definition.

In addition, we reviewed the annual educational reports of 25 school districts for compliance with the State School Code requirements and the NCLB Act. Also, we verified that the graduation rates, attendance rates, and proficiency rates reported in 10 schools' annual educational reports were consistent with what was reported to MDE.

FOLLOW-UP CONCLUSIONS, RESULTS, RECOMMENDATIONS, AND AGENCY RESPONSES

EFFECTIVENESS* OF EFFORTS TO ENSURE ACCURATE AND TIMELY REPORTING OF STATE AND SCHOOL REPORT CARD DATA AND ADEQUATE YEARLY PROGRESS STATUS

SUMMARY OF THE JUNE 2008 FINDING

1. Data Quality Management Controls

MDE, in conjunction with the Department of Information Technology* (DIT), had not implemented sufficient management controls to help detect and correct inaccuracies and inconsistencies in programming logic used to compile School Report Card results. We noted that MDE, in conjunction with DIT, did not sufficiently test programming logic used to compile School Report Card results. For example, programming logic in the 2004-05 School Report Card incorrectly included 16,312 (3.5%) of the 470,650 students as tested in English language arts* (ELA) when these students did not participate in both the reading and writing tests. As a result, participation rates for 1,684 (47.0%) of 3,586 schools were overstated by an average of 6.9% and may have resulted in MDE incorrectly reporting 307 (8.6%) schools as meeting AYP in the 2004-05 School Report Card. Also, programming logic in the 2004-05 School Report Card incorrectly included the MI-Access ELA test scores of 30,519 students and the MI-Access mathematics test scores of 28,114 students in the calculation of *Education YES!* achievement scores of 2,271 elementary and middle schools. The inclusion of MI-Access test scores may have resulted in some schools receiving lower *Education YES!* achievement letter grades than they should have received in the 2004-05 School Report Card. In addition, programming logic in the 2005-06 School Report Card incorrectly applied the high school reading test confidence interval* to the students' combined reading and writing test scores (or ELA test scores). As a result, the high school ELA proficiency rates for 620 (55.4%) of 1,120 high schools were overstated by an average of 4.0% because MDE incorrectly counted 3,188 (9.5%) of the 33,557 students as provisionally proficient in ELA when they did not score in the provisionally proficient range for the reading test.

* See glossary at end of report for definition.

We also noted that MDE, in conjunction with DIT, did not perform validation checks of *Education YES!* achievement scores to identify scores that were outside the established score range. As a result, *Education YES!* achievement letter grades may not be accurate for some schools in some content areas in the 2004-05 and 2005-06 School Report Cards.

RECOMMENDATIONS (AS REPORTED IN JUNE 2008)

We recommend that MDE, in conjunction with DIT, implement sufficient management controls to help detect and correct inaccuracies and inconsistencies in programming logic used to compile School Report Card results.

We also recommend that MDE evaluate the costs and benefits of amending previously reported inaccurate School Report Card results and reporting the revised results to schools and to the public.

AGENCY PLAN TO COMPLY*

The *Michigan Compiled Laws* and administrative procedures required MDE to develop a plan to comply with our audit recommendations within 60 days of the release of the June 2008 audit report. MDE indicated in its December 9, 2008 plan to comply that it had complied with the recommendations by improving customer acceptance procedures and filling an analyst position.

FOLLOW-UP CONCLUSION

We concluded that MDE had complied with the second recommendation and had partially complied with the first recommendation. Although MDE corrected the specific exceptions that we identified in the prior audit, MDE had not implemented effective management controls that would help ensure that errors did not occur in the future. We concluded that a reportable condition exists related to management controls.

FOLLOW-UP RESULTS

Our follow-up disclosed that MDE corrected the ELA participation rate and MI-Access test score programming logic errors in the 2005-06 School Report Card. MDE no longer applies the high school reading test confidence interval to the students' combined reading and writing test scores (or ELA test scores). Beginning

* See glossary at end of report for definition.

with the 2009-10 school year, MDE used only the reading component for the School Report Card.

Also, MDE corrected the programming logic for *Education YES!* elementary school, middle school, and high school achievement scores in 2007 in response to the prior audit finding. MDE also updated programming logic in 2010 when the School Report Card component changed from ELA (reading and writing) to reading only. MDE ran validation checks after the programming logic changes in 2007-08 and 2009-10 on *Education YES!* achievement scores to check for accuracy and to verify that they were within the established score range. However, we noted that validation checks were performed only after there had been a change in programming logic or business rules. The last change in programming logic and business rules occurred in 2009-10.

MDE informed us that it did not issue revised results for 2004-05 or 2005-06 School Report Cards because MDE concluded that the costs would outweigh the benefits of amending the inaccurate School Report Card results noted in our June 2008 audit report. Also, we determined that the inaccurate School Report Card reporting noted in our June 2008 audit report did not have a carry-forward impact on future School Report Card reporting.

FOLLOW-UP RECOMMENDATION

We again recommend that MDE implement sufficient management controls to help detect and correct inaccuracies and inconsistencies in programming logic used to compile School Report Card results.

FOLLOW-UP AGENCY RESPONSE

MDE agrees with the follow-up recommendation and informed us that it will implement a management control process to record the quality verification database scripts into a tracking/management tool (i.e., Sharepoint or Team Foundation Services) after the successful execution of the quality verification scripts. MDE plans to execute these quality verification scripts annually for every accountability cycle. MDE believes this process will provide evidence that the script was successfully executed on a certain date/time. MDE will follow these quality verification process steps as a standard part of the documented management control process.

SUMMARY OF THE JUNE 2008 FINDING

2. Education YES! Score Ranges and Grades

MDE improperly included the test scores of nonpublic school students when calculating the *Education YES!* letter grade score ranges. We noted that MDE's inclusion of the nonpublic school student test scores in the test score data inflated the letter grade score ranges calculated by MDE. As a result, an undeterminable number of public schools received lower *Education YES!* letter grades. Without recalculating the score ranges for each subject area in elementary, secondary, and high schools and reassigning content area grades, we cannot determine which schools received a lower grade in which subjects.

RECOMMENDATIONS (AS REPORTED IN JUNE 2008)

We recommend that MDE exclude the test scores of nonpublic school students when calculating *Education YES!* letter grade score ranges.

We also recommend that MDE correct its *Education YES!* letter grade score ranges.

AGENCY PLAN TO COMPLY

MDE indicated in its December 9, 2008 plan to comply that it had complied with the recommendations and informed us that it had implemented new procedures to prevent recurrence.

FOLLOW-UP CONCLUSION

We concluded that MDE had complied with these recommendations.

FOLLOW-UP RESULTS

Our follow-up disclosed that MDE updated the programming logic used to query *Education YES!* test scores from the School Report Card database. As a result, MDE no longer included the test scores of students who attend nonpublic schools when calculating *Education YES!* letter grade score ranges. Also, we determined that MDE updated the *Education YES!* letter grade score ranges for elementary and middle schools for the 2005-06 school year and for high schools for the 2006-07 school year.

We reviewed the *Education YES!* letter grade score ranges for the reading, mathematics, science, and social studies subject areas. We determined that MDE excluded the test scores of nonpublic school students in all four subject areas when updating the *Education YES!* letter grade score ranges.

SUMMARY OF THE JUNE 2008 FINDING

3. Proficiency Rates of Students With Disabilities

MDE had not established sufficient controls to ensure compliance with federal regulations relating to the calculation of proficiency rates for students with disabilities. We noted that MDE improperly applied confidence intervals in its calculation of proficiency rates. As a result, MDE included proficient scores for at least 1,719 more students with disabilities than allowed under federal regulations and guidance, which resulted in MDE incorrectly concluding that at least 126 schools met AYP in the 2005-06 School Report Card.

We also noted that MDE did not obtain applications from 157 of 167 school districts for exceptions to the 1.0% cap in school year 2005-06. In addition, we determined that MDE did not maintain sufficient documentation to support that 41 school districts applied for an exception to exceed the 1.0% cap in school year 2004-05. As a result, MDE could not support that the number of students with disabilities counted as proficient in the 2004-05 and 2005-06 School Report Cards was allowed under federal regulations.

RECOMMENDATION (AS REPORTED IN JUNE 2008)

We recommend that MDE establish sufficient controls to ensure compliance with federal regulations relating to the calculation of proficiency rates for students with disabilities.

AGENCY PLAN TO COMPLY

MDE indicated in its December 9, 2008 plan to comply that it had complied with the recommendation and informed us that it had implemented new procedures for records retention and programmatic controls.

FOLLOW-UP CONCLUSION

We concluded that MDE had complied with this recommendation.

FOLLOW-UP RESULTS

Our follow-up disclosed that MDE had implemented new procedures to monitor and approve the 1.0% cap waiver applications by school districts and public school academies* (PSAs). The federal regulations and guidance permit up to 1.0% of enrolled students in each grade assessed, who participated in an alternate assessment and surpassed or attained the performance standard, to be counted as "proficient" for AYP. All school districts and PSAs that believe that they qualify for an exception to the 1.0% cap must submit an application to MDE and MDE must approve it.

During the 2010-11 and 2011-12 school years, 295 school districts and PSAs were approved by MDE for waivers to the 1.0% cap. We reviewed 25 of these school districts and PSAs and noted that all of them had submitted applications for waivers to the 1.0% cap and all of the applications received the appropriate approval by MDE.

Also, we determined that beginning with the 2009-10 school year, MDE no longer used confidence intervals to calculate proficiency rates for students with disabilities on the School Report Card. MDE's use of confidence intervals during the prior audit resulted in the incorrect counting of students with disabilities as proficient in ELA and mathematics. The 1.0% cap for a school district is now calculated by taking 1.0% of the school district's total enrollment and then counting the lowest proficient scores on the MI-Access tests until the cap has been met.

SUMMARY OF THE JUNE 2008 FINDING

4. Notification to Parents of Schools Identified for Improvement

MDE did not ensure that school districts included all required information when notifying parents of students attending schools that were identified for improvement. We noted that MDE did not verify the accuracy of the Title I status as submitted by school districts in response to MDE's request for copies of notification letters. We also noted that MDE did not ensure that school districts

* See glossary at end of report for definition.

reported in their annual reports to parents the status of the non-Title I schools that were identified for improvement. Without complete notification, parents may not have been able to make informed and timely decisions regarding school choice transfer and supplemental educational services options.

RECOMMENDATION (AS REPORTED IN JUNE 2008)

We recommend that MDE ensure that school districts include all required information when notifying parents of students attending schools that were identified for improvement.

AGENCY PLAN TO COMPLY

MDE indicated in its December 9, 2008 plan to comply that it had complied with the recommendation.

FOLLOW-UP CONCLUSION

We concluded that MDE had complied with this recommendation.

FOLLOW-UP RESULTS

Our follow-up disclosed that MDE initially provided school districts with a checklist of required information for the parental notification letters for the 2009-10 school year. In December 2010, MDE moved the submission of AYP reporting requirements, which included the parental notification letters, to the Michigan Electronic Grants System (MEGS). For the 2010-11 school year, MDE required school districts to submit the letters of notification through MEGS for review prior to the beginning of the school year. We determined that, for the 2011-12 school year, the reporting process changed to require schools identified for improvement to upload their parental notification letters in MEGS when submitting their Title I consolidated application. Our review of the school district notification letters relating to 25 Title I schools identified for improvement noted substantial compliance with the 17 criteria required by the NCLB Act for parental notification letters.

We also determined that MDE no longer required school districts to submit hardcopy compliance packets. Previously, MDE relied on schools identified for improvement to state in their compliance packets whether they received Title I

funds and, therefore, were required to send notification letters to parents. Beginning in the 2006-07 school year, MDE required school districts to document the Title I status as part of the district applications for Title I funds through MEGS. MDE now uses MEGS to document and track Title I status for school districts.

We selected 10 non-Title I school districts that were identified for improvement and reviewed their annual educational reports. Our review of the 10 non-Title I school districts' annual educational reports noted that all 10 included the required information related to their status of identified for improvement.

EFFECTIVENESS OF MONITORING OF SCHOOL DISTRICTS' ANNUAL REPORTS

SUMMARY OF THE JUNE 2008 FINDING

12. School District Annual Reports

MDE had not implemented procedures to ensure that school districts prepared annual reports in accordance with State and federal requirements. We noted that 22 of 29 school districts selected for testing did not report one or more of the elements required by Act 451, P.A. 1976. We also noted that all 29 school districts omitted reporting one or more of the elements required by NCLB Act. In addition, MDE did not ensure that school districts reported data in their annual reports that was consistent with the data they reported to MDE. As a result, MDE could not ensure that school districts provided complete and accurate data regarding student performance and program effectiveness to parents and the public.

RECOMMENDATION (AS REPORTED IN JUNE 2008)

We recommend that MDE implement procedures to ensure that school districts prepare annual reports in accordance with State and federal requirements.

AGENCY PLAN TO COMPLY

MDE indicated in its December 9, 2008 plan to comply that it had complied with the recommendation.

FOLLOW-UP CONCLUSION

We concluded that MDE had partially complied with this recommendation. Although MDE had made significant improvements in the annual reporting process, a reportable condition exists related to the reporting of the required elements of Act 451, P.A. 1976.

FOLLOW-UP RESULTS

Our follow-up included a review of the same 10 and 13 elements required by Act 451, P.A. 1976, and the NCLB Act, respectively, that were included in our prior audit (as reported in June 2008) for 25 randomly selected schools and their corresponding school districts. We noted that significant improvement in school district reporting of elements required by the NCLB Act. However, during the 2011-12 school year, 18 (72.0%) school districts did not report one or more of the elements required by Act 451, P.A. 1976. Examples of missing elements included information on school accreditation, school improvement plans, core curriculum, parent-teacher conference participation, high school student college level equivalent activity, and comparisons of current year to prior year data.

Also, we determined that MDE implemented the Web-based annual educational report in the summer of 2010, thus making it available for the 2010-11 school year. MDE developed the Web-based annual educational report format to meet the NCLB Act reporting requirements and allowed MDE to pre-populate the appropriate local data, including student assessments, teacher qualifications, and AYP for every school district and school. We obtained the annual educational reports of 10 school districts from their respective Web sites and compared the data in these annual educational reports to the data collected from school districts by MDE. We noted no variances in the graduation rates, attendance rates, and the reported Statewide test results.

FOLLOW-UP RECOMMENDATION

We again recommend that MDE implement procedures to ensure that school districts prepare annual educational reports in accordance with State requirements.

FOLLOW-UP AGENCY RESPONSE

MDE agrees with the follow-up recommendation and informed us that significant resources have been expended to make the improvements recognized in this report. However, MDE receives no State funding for following up on the requirements of Act 451, PA 1976, and has declining funding to follow up on the federal NCLB report card findings. MDE plans to sustain its current activities working with local educational agencies to help them produce all required elements of the State and federal report cards. MDE informed us that its current oversight includes reviewing the annual education report by contracted independent reviewers with additional follow-up to occur during the on-site reviews conducted by a team of regional consultants based on MDE's annual schedule.

Glossary of Acronyms and Terms

accreditation	A process used to certify that a school is meeting and maintaining minimum standards of quality and integrity regarding academics, administration, and related services.
adequate yearly progress (AYP)	The measure used to hold public schools and districts accountable based on the provisions of Title I of the federal NCLB Act of 2001.
agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and submit the plan within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.
BAA	Bureau of Assessment and Accountability.
confidence interval	A band, interval, or range of scores that has a high probability of including the examinee's "true" score or a score entirely free of error.
Department of Information Technology (DIT)	One of the departments reorganized as part of the Department of Technology, Management, and Budget by executive order.

<i>Education YES! – A Yardstick for Excellent Schools (Education YES!)</i>	The State's school accreditation system used to grade public schools based on various measures of student achievement on State assessments, as well as on 11 self-reported indicators of school performance.
effectiveness	Program success in achieving mission and goals.
English language arts (ELA)	Combination of reading and writing. An assessment of ELA is scored by averaging a student's reading and writing scores.
material condition	A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
MDE	Michigan Department of Education.
MEAP-Access	Michigan's alternate assessment based on modified academic achievement standards.
MEGS	Michigan Electronic Grants System.
MI-Access	Michigan's alternative assessment program designed for students with disabilities for whom it has been determined that the MEAP assessments are not appropriate.
Michigan Educational Assessment Program (MEAP)	The Statewide assessment program used to test and report student achievement in the core academic subjects at certain grade levels.
Michigan Merit Exam (MME)	The Statewide assessment program that assesses students in grade 11 (and eligible students in grade 12) based on Michigan high school core content expectations.

No Child Left Behind (NCLB) Act of 2001	The federal law that authorizes funding and contains the current requirements for Title I and other federal educational programs.
nonpublic school	A private, denominational, or parochial school.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
public school	A public elementary or secondary educational entity or agency established under the Revised School Code (Act 451, P.A. 1976, as amended) which has as its primary mission the teaching and learning of academic and vocational-technical skills and knowledge and which is operated by a local educational agency, intermediate school district, or public school academy.
public school academy (PSA)	A State-supported public school, also known as a charter school.
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.

Title I

The first section of the federal Elementary and Secondary Education Act, known as the NCLB Act. Title I refers to programs aimed at America's most disadvantaged students. Title I, Part A provides assistance to improve the teaching and learning of children to meet challenging State academic content and performance standards.

