

Office of the Auditor General
Performance Audit Report

Michigan Virtual University
In collaboration with the Michigan Department of Education

April 2018

State of Michigan Auditor General
Doug A. Ringler, CPA, CIA

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

Performance Audit

Report Number:
313-0223-17

Michigan Virtual University (MVU)

*In collaboration with the
Michigan Department of Education (MDE)*

Released:
April 2018

MVU was established in 1998 as a private, nonprofit 501(c)(3) corporation to deliver online education to meet the educational and training needs of selected industries and related employers. MVU's functions and activities have evolved and grown since its establishment and are specifically mandated in State statute. MVU's mission is to advance K-12 digital learning and teaching through research, practice, and partnerships. Working in partnership with hundreds of Michigan schools, MVU offers classes to students and professional development programs for educators through online, Web-based services. MVU operates the Michigan Virtual School (MVS) and the Michigan Virtual Learning Research Institute (MVLRI). MVU refers to itself as *Michigan Virtual* for its marketing purposes.

This audit is the first in a three-part series on virtual learning in Michigan.

Audit Objective			Conclusion
Objective: To assess MVU's compliance with selected State laws.			Complied
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MVU was unable to receive Federal Bureau of Investigation (FBI) fingerprint criminal history record information from the Michigan Department of State Police because of FBI restrictions and, therefore, was unable to fully comply with State laws related to MVS educator criminal history checks (<u>Finding #1</u>).		X	Agrees
Section 1481 of the Revised School Code is outdated and in conflict with Section 98 of the State School Aid Act. MVU, with assistance from MDE, needs to seek amendments to the Revised School Code to reflect name and operational changes to the Michigan Virtual High School, now MVS, to help alleviate any unrealistic expectations of MVS for educators, students, and parents (<u>Finding #2</u>).		X	Agrees

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Doug A. Ringler, CPA, CIA
Auditor General

April 5, 2018

Mr. Robert Filka, Chair
Michigan Virtual Board of Directors
6427 Centurion Drive
Lansing, Michigan
and
Mr. Jamey Fitzpatrick, President and CEO
Michigan Virtual
3101 Technology Boulevard
Lansing, Michigan
and
Mr. Brian J. Whiston
Board Member, Michigan Virtual Board of Directors
Chairman, ex officio, State Board of Education
Superintendent of Public Instruction
Michigan Department of Education
John A. Hannah Building
Lansing, Michigan

Dear Mr. Filka, Mr. Fitzpatrick, and Mr. Whiston:

This is our performance audit report on the Michigan Virtual University (MVU) in collaboration with the Michigan Department of Education (MDE). This audit is the first in a three-part series on virtual learning in Michigan.

MVU, with assistance from MDE, provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require MDE to develop a plan to comply with the recommendations and to submit it within 60 days of the date above 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.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

MVU'S COMPLIANCE WITH SELECTED STATE LAWS

BACKGROUND

Annually, Michigan Virtual University (MVU) is appropriated funding through Section 98 of the State School Aid Act of 1979, as amended. MVU is required to comply with both the School Aid Act and the Revised School Code. Requirements include:

- Operate the Michigan Virtual School (MVS) and the Michigan Virtual Learning Research Institute (MVLRI).
- Maintain the Statewide catalog* of online learning courses.
- Offer online learning courses.
- Ensure MVS educators* meet teacher qualifications.
- Provide professional development to educational personnel.
- Prepare reports and develop policy recommendations.
- Meet budget, finance, and accounting requirements.

MVU and the Michigan Department of Education (MDE) work in collaboration to prepare reports and provide policy recommendations and professional development.

AUDIT OBJECTIVE

To assess MVU's compliance with selected State laws.

CONCLUSION

Complied.

FACTORS IMPACTING CONCLUSION

- MVU was recognized by Quality Matters* for outstanding impact by a K-12 organization or individual.
- MVU accurately reported 98.8% of iNACOL Online Course Quality Standards* scores for the Statewide catalog courses we reviewed.
- 100% of the MVS educators that we reviewed had a valid Michigan teacher certification, a background check, and a proper endorsement in a subject area, when applicable.
- MVU complied with the statutorily established limit on spending no more than \$1 million of the amount appropriated to subsidize the cost paid by districts for virtual courses* for fiscal year 2016.

* See glossary at end of report for definition.

- MVU prepared reports required by statute, and the reports generally contained all of the legislatively requested information.
- MVLRI completed statutorily requested assignments to support and accelerate innovation in education, provide leadership for the State's system of virtual learning education, and maintain a public Statewide catalog of virtual learning courses being offered by all public schools and community colleges in this State.
- MVLRI met statutorily established goals* for professional development participation for fiscal years 2014, 2015, and 2016.
- Reportable conditions* related to conducting Federal Bureau of Investigation (FBI) fingerprint criminal history record checks (Finding #1) and seeking statutory amendments to the Revised School Code to reflect name and operational changes at MVU (Finding #2).

* See glossary at end of report for definition.

FINDING #1

FBI fingerprint criminal history checks for MVS educators needed.

In July 2016, MSP and the FBI stated that MVU was not authorized to receive FBI fingerprint CHRI under Public Law 92-544.

After our fieldwork, MSP and the FBI determined that MVU was qualified to receive FBI fingerprint CHRI under the National Child Protection Act.

RECOMMENDATION

MVU was unable to receive FBI fingerprint criminal history record information (CHRI) from the Michigan Department of State Police (MSP) because of FBI restrictions. Therefore, it was unable to fully comply with State laws related to MVS educator criminal history checks, which increases the safety risk to students that the State laws intended to curtail.

The State School Aid Act and Revised School Code require MVU to obtain an FBI fingerprint criminal history check on all MVS educators in the same manner as if it were a school district. MVU is required to request MSP to conduct the check, and MSP is required to provide MVU a report of any resulting CHRI. CHRI is considered highly confidential and its dissemination is tightly controlled by federal law.

As required, MVU requested MSP to conduct the checks for its MVS educators. Based on the request, MSP sought guidance from the FBI, who then responded in July 2016 that, because MVU was a private entity, it was not authorized to receive FBI CHRI under Public Law 92-544. This law requires that FBI CHRI be disseminated to only the appropriate employing or licensing governmental agency. Consequently, MSP was not authorized to provide FBI CHRI records to MVU.

As a compensating measure, MVU obtained other criminal history checks through a private entity. These checks included reports on county, state, and federal criminal searches and national criminal records locator, but they did not include a fingerprint criminal history check against FBI data. FBI checks may include additional records that are not available to the public. MVU indicated that because a significant percentage of the teaching staff work part time for MVS and other school districts, it had additional assurance that the educator would have passed an FBI fingerprint criminal history check obtained by the school district.

After our fieldwork, MVU collaborated with MDE and reached out to MSP to find a solution. MSP and the FBI revisited their position and informed MVU that it was a qualified entity under a different law, the National Child Protection Act (Public Law 103-209), and would thus be allowed to receive CHRI.

We recommend that MVU implement the FBI fingerprint criminal history checks as authorized under the National Child Protection Act and State law.

**AGENCY
PRELIMINARY
RESPONSE**

MVU, with assistance from MDE, provided us with the following response:

MVU agrees with the recommendation and is pleased to report that it is now a registered and authorized user of the Criminal History Internet Subscription Service from MSP. This restores the same access to the FBI fingerprint and criminal history checks MVU used for MVS educators prior to July 2016.

FINDING #2

Amendments to the Revised School Code needed.

Section 1481 of the Revised School Code is outdated and in conflict with Section 98 of the State School Aid Act. MVU, with assistance from MDE, needs to seek amendments to the Revised School Code to reflect name and operational changes to the Michigan Virtual High School (MVHS), now MVS. The conflict that exists between the Revised School Code and the State School Aid Act could cause unrealistic expectations of MVS for educators, students, and parents.

Section 1481 of the Revised School Code was established in 2000 to require MVU to develop, implement, and operate MVHS with specified goals and course offering requirements. Some of the mandated goals include:

- Significantly expand curricular offerings for high schools across the State.
- Grant high school diplomas through a dual enrollment method with school districts.
- Act as a broker for college level equivalent courses and dual enrollment courses from postsecondary educational institutions.
- Offer high school teachers opportunities to learn new skills and strategies for developing and delivering instructional services.

Section 1481 has never been amended.

From fiscal years 2000 through 2012, the Legislature reiterated in Section 98 of the annual State School Aid Acts the MVHS mandated goals and requirements according to Section 1481. However, beginning with the fiscal year 2013 State School Aid Act, the Legislature began using the term MVS instead of MVHS and included some of the requirements, but not the goals, mandated in Section 1481.

MVU indicated that the name changed from MVHS to MVS and the Section 1481 goals were not reiterated in the 2013 State School Aid Act because of the following operational changes that had occurred since establishment and remain in existence today:

- MVS serves students in middle school, not only at the high school level.
- MVS does not have the ability to grant high school diplomas independently.
- MVS does not currently act as a broker for college level equivalent courses and dual enrollment courses from postsecondary educational institutions, with the exception of advanced placement courses.

- MVS acts as a supplemental course provider to schools giving students an opportunity to enroll in a set of courses delivered virtually, rather than students dual enrolling in both their primary district and MVS.
- MVS provides all levels of teachers with opportunities to learn new skills and strategies for delivering instructional services, not only high school teachers.

RECOMMENDATION

We recommend that MVU, with assistance from MDE, seek amendments to Section 1481 of the Revised School Code to reflect the name and operational changes made to MVHS in Section 98 of the State School Aid Act.

**AGENCY
PRELIMINARY
RESPONSE**

MVU, with assistance from MDE, provided us with the following response:

MVU agrees with the recommendation. MVU is supportive of the need to update language in the Revised School Code that accurately outlines its roles and responsibilities. With assistance from MDE, MVU will suggest amendments to the Revised School Code to reflect the name and operational changes made to MVHS. Ultimately, any updates to the Revised School Code must be approved by the Michigan Legislature.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

MICHIGAN VIRTUAL UNIVERSITY
In collaboration with the Michigan Department of Education

Districts and Schools Served With Student Online Courses in 2016-17

LEA* Districts

Adrian Public Schools	Britton Deerfield Schools	Elk Rapids Schools
Airport Community Schools	Brown City Community S.	Elkton-Pigeon-Bay Port Laker
Alba Public Schools	Buchanan Community Schools	Escanaba Area Public Schools
Alcona Community Schools	Buckley Community Schools	Essexville-Hampton Public S.
Allegan Public Schools	Bullock Creek School District	Evart Public Schools
Allen Park Public Schools	Byron Area Schools	Ewen-Trout Creek Cons. S.D.
Allendale Public Schools	Byron Center Public Schools	Fairview Area School District
Alma Public Schools	Cadillac Area Public Schools	Farmington Public S.D.
Almont Community Schools	Caledonia Community Schools	Fennville Public Schools
Anchor Bay School District	Carson City-Crystal Area S.	Fenton Area Public Schools
Ann Arbor Public Schools	Cass City Public Schools	Ferndale Public Schools
Arenac Eastern School District	Cassopolis Public Schools	Flat Rock Community Schools
Armada Area Schools	Cedar Springs Public Schools	Forest Hills Public Schools
Bad Axe Public Schools	Charlevoix Public Schools	Forest Park School District
Baldwin Community Schools	Charlotte Public Schools	Fowler Public Schools
Bath Community Schools	Cheboygan Area Schools	Fowlerville Community S.
Battle Creek Public Schools	Chesaning Union Schools	Frankenmuth School District
Bay City School District	Chippewa Hills School District	Frankfort-Elberta Area S.
Beal City Public Schools	Clarkston Community S.D.	Freeland Community S.D.
Bear Lake Schools	Clinton Community Schools	Fremont Public School District
Beaverton Rural Schools	Coldwater Community S.	Fulton Schools
Bedford Public Schools	Coloma Community Schools	Galesburg-Augusta Comm. S.
Belding Area School District	Comstock Public Schools	Gaylord Community Schools
Bellaire Public Schools	Concord Community Schools	Gibraltar School District
Bellevue Community Schools	Constantine Public S.D.	Gladwin Community Schools
Bentley Community S.D.	Coopersville Area Public S.D.	Glen Lake Community Schools
Benzie County Central Schools	Croswell-Lexington Com. S.	Gobles Public School District
Berrien Springs Public Schools	Dansville Schools	Godwin Heights Public S.
Bessemer Area School District	Dearborn City School District	Grand Blanc Community S.
Big Bay De Noc School District	Deckerville Community S.D.	Grand Haven Area Public S.
Birch Run Area Schools	Delton Kellogg Schools	Grand Ledge Public Schools
Birmingham Public Schools	Detroit City School District	Grand Rapids Public Schools
Bloomfield Hills Schools	DeWitt Public Schools	Grandville Public Schools
Bloomington Public S.D.	Dexter Community S.D.	Grass Lake Community S.
Boyer City Public Schools	Dryden Community Schools	Greenville Public Schools
Brandon School District in the Counties of Oakland and Lapeer	Durand Area Schools	Grosse Ile Township Schools
Breckenridge Community S.	East China School District	Grosse Pointe Public Schools
Breitung Township S.D.	East Grand Rapids Public S.	Gull Lake Community Schools
Bridgman Public Schools	East Jordan Public Schools	Hale Area Schools
Brighton Area Schools	East Lansing School District	Hamilton Community Schools
Brimley Area Schools	Eaton Rapids Public Schools	Hancock Public Schools
	Edwardsburg Public Schools	Hanover-Horton S.D.

This exhibit continued on next page.

** See glossary at end of report for definition.*

Harbor Beach Community S.	Litchfield Community Schools	Parchment School District
Harbor Springs School District	Livonia Public Schools S.D.	Paw Paw Public S.D.
Harper Creek Community S.	Ludington Area School District	Peck Community S.D.
Harper Woods, The School District of the City of	Mackinac Island Public S.	Pellston Public Schools
Harrison Community Schools	Mackinaw City Public Schools	Pennfield Schools
Hart Public School District	Manchester Community S.	Perry Public Schools
Hartford Public Schools	Manistee Area Public Schools	Pickford Public Schools
Hartland Consolidated Schools	Manistique Area Schools	Pinckney Community Schools
Haslett Public Schools	Maple Valley Schools	Plainwell Community Schools
Hastings Area School District	Marlette Community Schools	Plymouth-Canton Comm. S.
Hemlock Public S.D.	Marquette Area Public Schools	Port Huron Area S.D.
Hesperia Community Schools	Marshall Public Schools	Portage Public Schools
Holland City School District	Mason Public S. (Ingham)	Potterville Public Schools
Holly Area School District	Mattawan Consolidated S.	Public Schools of Petoskey
Holt Public Schools	Mayville Community S.D.	Quincy Community Schools
Hopkins Public Schools	Mendon Community S.D.	Rapid River Public Schools
Houghton Lake Community S.	Menominee Area Public S.	Redford Union S., D. No. 1
Houghton-Portage Twp. S.D.	Mesick Consolidated Schools	Reed City Area Public Schools
Howell Public Schools	Michigan Center S.D.	Reeths-Puffer Schools
Huron School District	Midland Public Schools	Richmond Community Schools
Huron Valley Schools	Milan Area Schools	River Valley School District
Imlay City Community Schools	Millington Community Schools	Riverview Community S.D.
Ionia Public Schools	Mona Shores Public S.D.	Rochester Community S.D.
Iron Mountain Public Schools	Monroe Public Schools	Rockford Public Schools
Ishpeming Public S.D. No. 1	Montabella Community S.	Romeo Community Schools
Jackson Public Schools	Negaunee Public Schools	Roscommon Area Public S.
Jenison Public Schools	New Buffalo Area Schools	Royal Oak Schools
Johannesburg-Lewiston Area Schools	NICE Community S.D.	Rudyard Area Schools
Kalamazoo Public Schools	Niles Community Schools	Saginaw Twp. Community S.
Kearsley Community S.D.	North Adams-Jerome Public S.	Saginaw, S.D. of the City of
Kelloggsville Public Schools	North Branch Area Schools	Saline Area Schools
Kenowa Hills Public Schools	North Central Area Schools	Sandusky Community S.D.
Kent City Community Schools	North Dickinson County S.	Saranac Community Schools
Kingsley Area Schools	North Huron School District	Saugatuck Public Schools
Kingston Community S.D.	North Muskegon Public S.	Sault Ste. Marie Area Schools
Lake Linden-Hubbell S.D.	Northport Public S.D.	Schoolcraft Community S.
Lake Orion Community S.	Northview Public Schools	Shepherd Public Schools
Lakeshore S.D. (Berrien)	Northville Public Schools	South Haven Public Schools
Lakeview Public S. (Macomb)	Norway-Vulcan Area Schools	South Lyon Community S.
Lakeview S.D. (Calhoun)	Novi Community S.D.	South Redford School District
Lakewood Public Schools	Oakridge Public Schools	Southgate Community S.D.
L'Anse Area Schools	Okemos Public Schools	Sparta Area Schools
L'Anse Creuse Public Schools	Olivet Community Schools	Spring Lake Public Schools
Lawrence Public Schools	Onkama Consolidated S.	Springport Public Schools
Leland Public School District	Onsted Community Schools	St. Ignace Area Schools
Leslie Public Schools	Orchard View Schools	St. Johns Public Schools
Lincoln Consolidated S.D.	Oscoda Area Schools	Standish-Sterling Comm. S.
	Otsego Public Schools	Stephenson Area Public S.
	Ovid-Elsie Area Schools	Stockbridge Community S.

This exhibit continued on next page.

Sturgis Public Schools	Ubyly Community Schools	West Branch-Rose City Area S.
Summerfield Schools	Union City Community S.	West Iron County Public S.
Superior Central S.D.	Unionville-Sebewaing S.D.	West Ottawa Public S.D.
Suttons Bay Public Schools	Utica Community Schools	Western School District
Swan Valley School District	Van Buren Public Schools	Whiteford Agricultural S.D. of the Counties of Lenawee and Monroe
Swartz Creek Community S.	Vandercook Lake Public S.	Whitehall District Schools
Tahquamenon Area Schools	Vassar Public Schools	Whitmore Lake Public S.D.
Tawas Area Schools	Vicksburg Community Schools	Williamston Community S.
Tecumseh Public Schools	Walled Lake Consolidated S.	Wolverine Community S.D.
Thornapple Kellogg S.D.	Warren Woods Public Schools	Woodhaven-Brownstown S.D.
Three Rivers Community S.	Watervliet School District	Yale Public Schools
Traverse City Area Public S.	Waverly Community Schools	Zeeland Public Schools
Trenton Public Schools	Wayne-Westland Comm. S.D.	
Tri County Area Schools	Webberville Community S.	

PSA* Districts

AGBU Alex-Marie Manoogian S	DeTour Arts and Tech. Acad.	LifeTech Academy
Arbor Preparatory H.S.	Excel Charter Academy	Merritt Academy
Bay City Academy	FlexTech High School	Midland Academy of Adv. and Creative Studies
Black River Public School	FlexTech High School - Novi	New School High
Byron Center Charter School	Grand River Preparatory H.S.	Ojibwe Charter School
Canton Charter Academy	Grand Traverse Academy	Pansophia Academy
Canton Preparatory H.S.	Honey Creek Community S.	Reach Charter Academy
Central Academy	ICademy Global	Renaissance P.S. Acad.
Chandler Park Academy	Island City Academy	Taylor Preparatory H.S.
Charlevoix Montessori Academy for the Arts	Joseph K. Lumsden Bahweting Anishnabe Academy	Wellspring Preparatory H.S.
Charlton Heston Academy	Kensington Woods Schools	West Michigan Aviation Acad.
Charyl Stockwell Academy	Keystone Academy	West Village Academy
Concord Academy - Boyne	Kingsbury Country Day School	

Nonpublic Schools

All Saints Central School	Holland Christian High School	Notre Dame Preparatory S.
Austin Catholic High School	Huda School and Montessori	Plymouth Christian Academy
Calvary Baptist Academy	Interlochen Arts Academy	Regina High School
Calvin Christian M.S. & H.S.	Kalamazoo Christian H.S.	Sacred Heart Academy
Cardinal Mooney Catholic S.	Ladywood H.S.--Detroit	Shrine Catholic H.S. & Acad
Detroit Cristo Rey High School	Lansing Catholic Central H.S.	South Christian High School
Divine Child High School	Lansing Christian School	Southfield Christian School
Eton Academy	Lenawee Christian School	St. Catherine of Siena Acad.
Farber Hebrew Day School - Yeshivat Akiva	Manistee Catholic Central S.	St. Mary Catholic School
Fr. Gabriel Richard H.S.	Martin Luther High School	Trinity Lutheran School
Grand Rapids Christian H.S.	Mercy High School	Unity Christian High School
Hackett Catholic Prep	Muskegon Catholic Central	
	New Life Christian Academy	

Source: The OAG prepared this exhibit using MVU's 2016-17 Annual Report.

* See glossary at end of report for definition.

MICHIGAN VIRTUAL UNIVERSITY
In collaboration with the Michigan Department of Education

2016-17 MVS Courses Offered, Enrollments, and Pass Rates

Agriculture, Food, and Natural Resources

Course Title	Enrollment	Pass Rate
Veterinary Science	151	93.0%

Business and Marketing

Course Title	Enrollment	Pass Rate
Accounting (A)	183	85.0%
Accounting (B)	74	84.0%
Business Ethics	306	92.0%
Entrepreneurship	225	75.0%
Hospitality and Tourism	108	95.0%
Sports and Entertainment	231	94.0%

Communications and Audio/Visual Technology

Course Title	Enrollment	Pass Rate
Journalism	124	77.0%

Computer and Information Sciences

Course Title	Enrollment	Pass Rate
AP Computer Science A (A)	126	92.0%
AP Computer Science A (B)	104	93.0%
Game Design	211	74.0%
Java Programming	139	80.0%
Microsoft Office 2013	23	70.0%
Social Media	170	85.0%
Visual Basic.Net Programming	140	75.0%
Web Design Basics HTML	124	91.0%

Engineering and Technology

Course Title	Enrollment	Pass Rate
Bioethics	90	90.0%

English Language and Literature

Course Title	Enrollment	Pass Rate
AP English Language & Composition (A)	31	90.0%
AP English Language & Composition (B)	32	97.0%
AP English Literature & Composition (A)	51	88.0%
AP English Literature & Composition (B)	37	97.0%
Composition - Beginning	115	89.0%
Composition - Advanced	42	88.0%
Reading (6-8)	<10	83.0%
English 6 (A)	<10	100.0%
English 6 (B)	<10	100.0%
English 7 (A)	<10	43.0%
English 7 (B)	<10	29.0%
English 8 (A)	14	86.0%
English 8 (B)	12	75.0%
English 9 (A)	100	55.0%
English 9 (B)	90	67.0%
English 10 (A)	100	57.0%
English 10 (B)	115	65.0%
American Literature (A)	222	86.0%
American Literature (B)	184	91.0%
British Literature (A)	181	78.0%
British Literature (B)	189	81.0%

English Language and Literature (Continued)

Course Title	Enrollment	Pass Rate
Mythology and Folklore	173	93.0%
Reading	47	91.0%
World Literature	90	87.0%

Fine and Performing Arts

Course Title	Enrollment	Pass Rate
American Film Survey	194	84.0%
AP Art History (A)	36	94.0%
AP Art History (B)	30	100.0%
Art Appreciation	144	87.0%
Digital Photography	193	85.0%
Directors of the Golden Age	58	93.0%
Music Appreciation	231	89.0%

Foreign Language and Literature

Course Title	Enrollment	Pass Rate
American Sign Language 1 (A)	1,097	76.0%
American Sign Language 1 (B)	658	91.0%
American Sign Language 2 (A)	298	92.0%
American Sign Language 2 (B)	254	92.0%
AP Chinese (A)	17	65.0%
AP Chinese (B)	12	92.0%
AP French (A)	11	91.0%
AP French (B)	<10	100.0%
AP Spanish (A)	27	93.0%
AP Spanish (B)	26	85.0%
Chinese 1 (A)	73	78.0%
Chinese 1 (B)	60	88.0%
Chinese 2 (A)	52	92.0%
Chinese 2 (B)	43	86.0%
Chinese 3 (A)	44	89.0%
Chinese 3 (B)	36	97.0%
Chinese 4 (A)	45	89.0%
Chinese 4 (B)	30	93.0%
French 1 (A) (6-8)	19	79.0%
French 1 (B) (6-8)	11	82.0%
French 2 (A) (6-8)	<10	100.0%
French 2 (B) (6-8)	<10	100.0%
French 1 (A)	248	79.0%
French 1 (B)	169	85.0%
French 2 (A)	123	85.0%
French 2 (B)	101	89.0%
French 3 (A)	49	86.0%
French 3 (B)	33	82.0%
French 4 (A)	26	81.0%
French 4 (B)	24	88.0%
German 1 (A) (6-8)	11	91.0%
German 1 (B) (6-8)	11	91.0%
German 1 (A)	256	75.0%
German 1 (B)	153	88.0%
German 2 (A)	121	91.0%
German 2 (B)	112	89.0%
German 3 (A)	44	75.0%

This exhibit continued on next page.

Foreign Language and Literature (Continued)

Course Title	Enrollment	Pass Rate
German 3 (B)	20	85.0%
German 4 (A)	25	92.0%
German 4 (B)	13	100.0%
Japanese 1 (A)	212	72.0%
Japanese 1 (B)	123	84.0%
Japanese 2 (A)	76	89.0%
Japanese 2 (B)	60	92.0%
Latin 1 (A)	135	86.0%
Latin 1 (B)	79	92.0%
Latin 2 (A)	63	92.0%
Latin 2 (B)	57	93.0%
Latin 3 (A)	11	82.0%
Latin 3 (B)	<10	86.0%
Spanish 1 (A) (6-8)	20	80.0%
Spanish 1 (B) (6-8)	18	94.0%
Spanish 1 (A)	428	45.0%
Spanish 1 (B)	184	82.0%
Spanish 2 (A) (6-8)	<10	88.0%
Spanish 2 (B) (6-8)	<10	100.0%
Spanish 2 (A)	192	80.0%
Spanish 2 (B)	183	84.0%
Spanish 3 (A)	109	78.0%
Spanish 3 (B)	79	86.0%
Spanish 4 (A)	78	92.0%
Spanish 4 (B)	72	94.0%

Health Care Services

Course Title	Enrollment	Pass Rate
Medical Terminology	615	89.0%

Life and Physical Sciences

Course Title	Enrollment	Pass Rate
Anatomy & Physiology (A)	208	86.0%
Anatomy & Physiology (B)	99	94.0%
AP Biology (A)	77	90.0%
AP Biology (B)	64	91.0%
AP Chemistry (A)	29	62.0%
AP Chemistry (B)	14	93.0%
AP Environmental Science (A)	39	90.0%
AP Environmental Science (B)	31	97.0%
AP Physics 1 (A)	64	73.0%
AP Physics 1 (B)	40	90.0%
AP Physics 2 (A)	22	82.0%
AP Physics C - Mechanics (A)	37	92.0%
AP Physics C - Mechanics (B)	27	96.0%
Astronomy	336	87.0%
Biology (A)	130	78.0%
Biology (B)	119	83.0%
Chemistry (A)	135	59.0%
Chemistry (B)	123	54.0%
Earth Science (A)	90	74.0%
Earth Science (B)	36	81.0%
Environmental Science (A)	79	92.0%
Environmental Science (B)	33	97.0%
Oceanography (A)	242	84.0%
Oceanography (B)	53	92.0%
Physical Science (A)	35	80.0%
Physical Science (B)	35	71.0%

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Life and Physical Sciences (Continued)

Course Title	Enrollment	Pass Rate
Physics (A)	147	93.0%
Physics (B)	119	87.0%
Science 6 (A)	<10	100.0%
Science 6 (B)	<10	100.0%
Science 7 (A)	<10	71.0%
Science 7 (B)	12	58.0%
Science 8 (A)	<10	63.0%
Science 8 (B)	<10	67.0%
Science Tracks	<10	NA

Mathematics

Course Title	Enrollment	Pass Rate
Algebra 1	<10	NA
Algebra 1 (A)	181	66.0%
Algebra 1 (B)	191	79.0%
Algebra 2 (A)	213	73.0%
Algebra 2 (B)	232	79.0%
AP Calculus AB (A)	53	91.0%
AP Calculus AB (B)	46	96.0%
AP Calculus BC (A)	47	91.0%
AP Calculus BC (B)	50	96.0%
AP Statistics (A)	84	92.0%
AP Statistics (B)	68	94.0%
Calculus (A)	42	86.0%
Calculus (B)	27	81.0%
Geometry (A)	196	70.0%
Geometry (B)	209	82.0%
Math Tracks	91	NA
Mathematics 6 (A)	<10	100.0%
Mathematics 6 (B)	<10	100.0%
Mathematics 7 (A)	10	50.0%
Mathematics 7 (B)	12	50.0%
Mathematics 8 (A)	<10	71.0%
Mathematics 8 (B)	<10	71.0%
Mathematics of Baseball	233	88.0%
Personal Finance (A)	407	90.0%
Pre-Algebra (A)	27	74.0%
Pre-Algebra (B)	14	71.0%
Pre-Calculus (A)	165	90.0%
Pre-Calculus (B)	149	83.0%
Probability and Statistics (A)	115	88.0%
Probability and Statistics (B)	32	88.0%
Trigonometry	80	90.0%

Miscellaneous

Course Title	Enrollment	Pass Rate
Career Planning	341	93.0%
Careers - Find Your Future	267	86.0%
Employability Skills	201	85.0%
Leadership Skills Development	61	82.0%
Leadership Skills Development (A)	<10	44.0%
Leadership Skills Development (B)	<10	50.0%
Study Skills	408	79.0%

Physical, Health, and Safety Education

Course Title	Enrollment	Pass Rate
Health	649	87.0%
Personal Fitness	464	89.0%

Public, Protective, and Government Services

Course Title	Enrollment	Pass Rate
Forensic Science - Introduction	454	87.0%
Forensic Science - Advanced	63	92.0%

Religious Education and Theology

Course Title	Enrollment	Pass Rate
World Religions	90	87.0%

Social Sciences and History

Course Title	Enrollment	Pass Rate
Anthropology (A)	93	97.0%
AP Macroeconomics	140	91.0%
AP Microeconomics	115	95.0%
AP Psychology	362	91.0%
AP U.S. Government & Politics	124	88.0%
AP U.S. History (A)	69	80.0%
AP U.S. History (B)	45	91.0%
AP World History (A)	57	82.0%
AP World History (B)	49	90.0%
Archaeology	32	97.0%
Civics	499	92.0%

Social Sciences and History (Continued)

Course Title	Enrollment	Pass Rate
Criminology	388	93.0%
Economics	605	90.0%
Native American History	58	93.0%
Personal Finance	364	90.0%
Philosophy	118	91.0%
Psychology	326	84.0%
Sociology (A)	267	85.0%
Sociology (B)	54	100.0%
U.S. History & Geography (A)	219	68.0%
U.S. History & Geography (B)	175	75.0%
World Cultures 6 (A)	<10	86.0%
World Cultures 6 (B)	<10	100.0%
World Geography 7 (A)	13	92.0%
World Geography 7 (B)	17	71.0%
U.S. History 8 (A)	19	89.0%
U.S. History 8 (B)	24	83.0%
World History & Geography (A)	225	84.0%
World History & Geography (B)	247	91.0%
World History (A)	10	20.0%
World History (B)	<10	83.0%

Source: The OAG prepared this exhibit using MVU's 2016-17 Annual Report.

DESCRIPTION

MVU was established in 1998 as a private, nonprofit 501(c)(3) corporation to deliver online education to meet the educational and training needs of selected industries and related employers. MVU's functions and activities have evolved and grown since its establishment and are specifically mandated in State statute. MVU's mission* is to advance K-12 digital learning and teaching through research, practice, and partnerships. Working in partnership with hundreds of Michigan schools (see Exhibit #1), MVU offers virtual learning courses to students and professional development programs for educators through online, Web-based services. MVU underwent a rebranding after our audit period and is now called *Michigan Virtual*.

MVU operates MVS and MVLRI, both created by State legislation. MVS was created to serve both traditional and non-traditional students and offers a broad range of academic courses aligned with State standards; college-level equivalent courses; remedial, enrichment, and world language courses; and other innovative online experiences (see Exhibit #2). MVLRI was created as a center for online learning research and innovation.

MVU is governed by an independent Board of Directors composed of individuals representing the business, industry, and education communities, including the State Superintendent of Public Instruction.

A portion of funding for MVU, MVS, and MVLRI is provided through annual appropriations from the Michigan Legislature. MVU received approximately \$7.4 million of State School Aid appropriations for each of the fiscal years 2015, 2016, and 2017. Virtual course tuition and fees represent MVU's other significant source of revenue. MVS collected course fees of approximately \$5.5 million, \$6.8 million, and \$7.7 million for fiscal years 2014, 2015, and 2016, respectively. MVU had 248 employees as of September 30, 2017.

MDE makes monthly appropriation payments to MVU. MDE Office of Education Improvement and Innovation works with MVU to increase the collaboration between MDE and MVU to ensure effective leveraging of technology to provide professional learning experiences across the State. MDE and MVU entered into a memorandum of understanding in December 2016 to collaboratively lead the development and implementation of a professional development strategy based on leveraging the use of online and blended learning delivery models.

* See glossary at end of report for definition.

MDE was established under the Executive Organization Act of 1965, Public Act 380 of 1965. MDE is headed by the elected eight-member State Board of Education established by Article VIII, Section 3 of the Michigan Constitution of 1963. The Constitution vested the Board with leadership and general supervision over all public education and requires the Board to serve as the general planning and coordinating body. MDE's principal executive officer is the Superintendent of Public Instruction, who is appointed by the Board and responsible for executing the Board's policies and carrying out certain statutory administrative responsibilities and rule making powers of the Board.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes related to MVU's operations, activities, and compliance with selected State laws. 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 objectives.

Within the scope of this audit, we did not validate the accuracy and completeness of reported MVS pass rates and data reported in MVLRI's *Virtual Learning Effectiveness Reports* for reports issued during our audit period. We focused our audit efforts on MVU's compliance with the State School Aid Act, as annually amended, and the Revised School Code.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2013 through December 31, 2016.

METHODOLOGY

We conducted a preliminary survey of MVU to obtain an understanding of legislative requirements and their processes in order to establish our audit objective and methodology. During our preliminary survey, we:

- Interviewed MVU management and staff to obtain an understanding of their operations and processes.
- Interviewed staff from MDE Office of Education Improvement and Innovation who work with MVU on select projects.
- Reviewed the Revised School Code (Public Act 451 of 1976, as amended) and Section 98 of the State School Aid appropriations acts for fiscal years 2014, 2015, 2016, and 2017 and selected requirements for review based on assessment of risk and significance.
- Reviewed MVU's establishment, including the articles of incorporation.

* See glossary at end of report for definition.

OBJECTIVE

To assess MVU's compliance with selected State laws.

To accomplish this objective, we:

- Reviewed 15 of 117 randomly and judgmentally selected MVS courses to compare course review documentation with the Statewide catalog iNACOL Online Course Quality Standard scores to ensure that scores were reported appropriately in the catalog.

We used a combination of random and judgmental selection to address risk. Therefore, we could not project the results to the overall population.

- Randomly selected 20 of 165 MVS educators to review Michigan teacher certification, criminal history checks, and if applicable, endorsement in subject area.

We randomly selected the 20 educators to reduce bias and enable us to project to the entire population of MVS educators.

- Randomly selected 25 of 3,277 home-schooled or nonpublic school students that enrolled in MVS virtual courses during school years 2014, 2015, or 2016 to ensure that students were charged the appropriate rate.

We randomly selected the 25 students to reduce bias and enable us to project to the entire population of MVS home-schooled or nonpublic school students.

- Reviewed MVU's financial statements for fiscal year 2016 to ensure compliance with a statutorily established limitation on the use of appropriations for virtual courses.
- Obtained and reviewed reports prepared by MVU in response to legislative requirements to ensure that reports were completed and contained the required information.
- Analyzed MVU's budgets, financial statements, and letters to the Legislature on actual costs to deliver virtual educational services to school districts and actual fees paid by districts.
- Reviewed MVS virtual course data contained in the Statewide catalog and reviewed MVU's Web site to ensure catalog availability.
- Compared professional development participation statistics with statutorily established minimum participation requirements to ensure that MVU met the required goal.
- Reviewed MVU Board of Directors meeting minutes.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

**AGENCY
RESPONSES**

Our audit report contains 2 findings and 2 corresponding recommendations. MVU's preliminary response, prepared with assistance from MDE, indicates that MVU agrees with both recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agencies' written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require MDE to develop a plan to comply with the recommendations and to submit it 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.

**SUPPLEMENTAL
INFORMATION**

Our audit report includes unaudited supplemental information that relates to our audit objectives (Exhibits #1 and #2). Our audit was not directed toward expressing a conclusion on this information.

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

CHRI	criminal history record information.
educator	A teacher who holds a valid Michigan teaching certificate and who, if applicable, is endorsed in the subject area and grade of the virtual course and is responsible for providing instruction, determining instructional methods for each pupil, diagnosing learning needs, assessing pupil learning, prescribing intervention strategies, reporting outcomes, and evaluating the effects of instruction and support strategies.
FBI	Federal Bureau of Investigation.
goal	An intended outcome of a program or an entity to accomplish its mission.
iNACOL Online Course Quality Standards	International Association for K-12 Online Learning's <i>National Standards for Quality Online Courses</i> . An international set of 52 standards that MVU used to evaluate online courses in the following areas: content, instructional design, student assessment, technology, and course evaluation and support.
LEA	local educational agency.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and 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.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
MSP	Michigan Department of State Police.
MVHS	Michigan Virtual High School.
MVLRI	Michigan Virtual Learning Research Institute.

MVS	Michigan Virtual School.
MVU	Michigan Virtual University.
OAG	Office of the Auditor General.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
PSA	public school academy.
Quality Matters	An international organization that is recognized as a leader in quality assurance for online education. It recognizes a K-12 organization or individual that has implemented standards and processes, demonstrated impacts on learner outcomes and/or made significant contributions to learners' experiences through instructional design, faculty professional development, or related initiatives.
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.
Statewide catalog	Public Statewide catalog of virtual learning courses offered by all schools and community colleges in the State.
virtual course	A course of study that is capable of generating a credit or a grade and that is provided in an interactive learning environment in which the majority of the curriculum is delivered using the Internet (online) and in which pupils are separated from their instructor or teacher of record by time or location or both.



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