

Office of the Auditor General
Performance Audit Report

Virtual Learning in Traditional Public Schools

Michigan Department of Education

August 2020

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.

The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

Performance Audit

Virtual Learning in Traditional Public Schools

Michigan Department of Education (MDE)

Report Number:
313-0224-16

Released:
August 2020

Virtual learning is a teaching method that uses computer software and/or the Internet to deliver instruction and most commonly takes place in an online environment, whereby the teacher and the virtual learner are physically separated. Section 388.1621f of the *Michigan Compiled Laws* mandates that public school districts allow eligible students to enroll in up to two virtual courses per academic term, semester, or trimester. MDE policies also provide additional opportunities for public schools to enroll students in virtual learning courses. Virtual learning has continued a trend of significant expansion in Michigan's traditional public schools, with the reported number of virtual learners nearly tripling in the last nine school years from approximately 34,000 in school year 2010-11 to almost 100,000 in school year 2018-19.

With the onset of COVID-19, we expect that Michigan's traditional public schools will greatly expand their use of virtual learning methods as a primary means for educating many of Michigan's students for the foreseeable future.

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

Audit Objective			Conclusion
Objective #1: To determine the sufficiency of MDE's efforts to monitor and evaluate the virtual learning provided by traditional public schools.			Not sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Significant opportunities exist for MDE to develop an evaluation strategy to assess the effectiveness of the virtual learning provided by traditional public schools (Finding #1).	X		Disagrees
MDE stopped the collection of certain student-level data required by State law. By doing so, MDE diminished its and other entities' abilities to compare the effectiveness of the virtual and non-virtual learning courses provided to students in traditional public schools (Finding #2).	X		Disagrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
The pupil auditors that monitored school districts' compliance with virtual learning requirements excluded approximately 26% of virtual learners from the audit process and did not identify that 14% of our sampled virtual learner graduates had not fulfilled all applicable graduation requirements (<u>Finding #3</u>).	X		Partially agrees
Documentation was insufficient to support virtual learners': <ul style="list-style-type: none"> • Participation in coursework for 35% of the virtual learners reviewed. • Attendance for 13% of virtual learners reviewed that were enrolled in a virtual course(s) provided on site at a school facility (<u>Finding #4</u>). 		X	Partially agrees
MDE needs to ensure that students' opportunities to enroll in virtual courses are communicated. Over 60% of sampled school districts' student handbooks and 50% of school districts' Web sites did not provide information related to students' opportunities for enrollment in virtual courses (<u>Finding #5</u>).		X	Partially agrees
We selected 50 off-site virtual learning buildings for review and determined that MDE did not require the approval of the Superintendent of Public Instruction for these types of buildings, as mandated by State law, and that 46 (92%) of the buildings' addresses did not have a certificate of occupancy for educational purposes on file with the Department of Licensing and Regulatory Affairs to certify the building's compliance with applicable building codes and other laws (<u>Finding #6</u>).		X	Agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Strong collaborative efforts are needed to help ensure that the Center for Educational Performance and Information data is complete and accurate for use by educational stakeholders (<u>Observation #1</u>).	Not applicable for observations.		

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Auditor General

August 13, 2020

Dr. Michael F. Rice
Chair, ex officio, State Board of Education
Superintendent of Public Instruction
Michigan Department of Education
John A. Hannah Building
Lansing, Michigan

Dear Dr. Rice:

This is our performance audit report on Virtual Learning in Traditional Public Schools, Michigan Department of Education. This is the second issued report of a three-part series of performance audits on virtual learning in Michigan.

Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, 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

EFFORTS TO MONITOR AND EVALUATE VIRTUAL LEARNING

BACKGROUND

Michigan State law mandates that the Michigan Department of Education (MDE), by authority of the State Board of Education, require each local school board, public school academy* (PSA) board, and intermediate school district board and the officers of those boards to observe the laws related to schools, including those applicable to virtual learning.

Virtual learning is a teaching method that uses computer software and/or the Internet to deliver instruction to students and can be provided within and/or outside of an educational organization's facilities. Virtual learning instruction most commonly takes place in an online environment, whereby the teacher and the virtual learner* are physically separated in terms of place, time, or both. Virtual courses may be scheduled during a virtual learner's regular school day and provided at a supervised school facility or may be offered as self-scheduled learning where the virtual learner has some control over the time, location, and pace of their virtual course work.

Section 21f of the State School Aid Act of 1979 (Section 21f), being Section 388.1621f of the *Michigan Compiled Laws*, mandates public school districts to allow eligible students to enroll in up to two virtual courses per academic term, semester, or trimester and to provide access to the needed technology. MDE policies provide additional opportunities for public schools to enroll students in virtual learning courses beyond those that are allowed by Section 21f (see Exhibit #1).

State law requires that most virtual courses provided in public schools are taught by a Michigan certified teacher who is endorsed in the grade and subject area of the virtual course. School districts are required to designate a teacher of record* and to assign a mentor* for each virtual course. MDE's Pupil Accounting Manual outlines specific requirements for virtual course attendance, virtual course participation, and the related communications between the virtual learner and the teacher and/or mentor.

MDE has developed and relies on a pupil audit process conducted by pupil auditors* as its primary mechanism for monitoring school districts' compliance with State laws and MDE policies. The pupil audit process includes, but is not limited to, the verification of teachers' certification and students' enrollment, attendance, and participation in school and/or courses for each official school year count day* for a sample of students that includes virtual learners.

Each school district determines how it will implement virtual learning into its curriculum and can develop and provide its own

* See glossary at end of report for definition.

virtual courses or contract with a virtual courseware provider* for virtual courses. Most often, virtual courses are Michigan Merit Curriculum* (MMC) required courses in subjects such as, but not limited to, English language arts, mathematics, science, and social studies; however, school districts may also offer elective and other types of virtual courses (see Exhibit #3).

MDE works collaboratively with the Center for Educational Performance and Information (CEPI), Department of Technology, Management, and Budget (DTMB), for the collection of various school district data required to meet federal or State laws (see Observation* #1). MDE is responsible for setting forth guidance and policy for data reporting requirements and CEPI is responsible for electronically collecting, securely managing, and reporting education data for Michigan. MDE also partners with Michigan Virtual* (MV). Each year, MV's Michigan Virtual Learning Research Institute* (MVLRI) prepares an annual effectiveness report analyzing pupil and performance data reported to CEPI for Michigan's virtual learners and shares its findings with educational stakeholders to help inform educational policy in the State.

For the 2015-16 school year, school districts throughout the State reported to CEPI that approximately 70,000 traditional public school* students were enrolled in over 248,000 virtual courses. Virtual learning has continued a trend of significant expansion in Michigan's traditional public schools, with the reported number of virtual learners nearly tripling since the 2010-11 school year. For the 2010-11 school year, traditional public school districts reported that approximately 34,000 virtual learners were enrolled in 84,000 virtual courses, and for the 2018-19 school year, they reported that almost 100,000 virtual learners had enrolled in nearly 400,000 virtual courses (see Exhibit #2).

With the onset of COVID-19*, we expect that Michigan's traditional public schools will greatly expand their use of virtual learning methods as a primary means for educating many of Michigan's students for the foreseeable future.

AUDIT OBJECTIVE

To determine the sufficiency of MDE's efforts to monitor and evaluate the virtual learning provided by traditional public schools.

CONCLUSION

Not sufficient.

FACTORS IMPACTING CONCLUSION

- Three material conditions* related to deficiencies in:
 - Evaluating the quality and effectiveness* of virtual learning (Finding #1).

* See glossary at end of report for definition.

- Collecting student-level data in compliance with State law to enable comparison of the virtual and non-virtual learning that is provided to students (Finding #2).
- Providing sufficient guidance for the pupil audit process to monitor and evaluate school districts' compliance with State laws and MDE policies applicable to virtual learning (Finding #3).
- Three reportable conditions* related to needed improvements in:
 - Monitoring virtual learners' participation and attendance in virtual courses (Finding #4).
 - Monitoring compliance with required reporting related to the Statewide catalog*, per-pupil costs of virtual learning, and communicating students' opportunities to enroll in virtual courses (Finding #5).
 - Ensuring the proper approval of buildings utilized by traditional public schools for virtual learning (Finding #6).
- 94% of the virtual course teachers reviewed from selected school districts held a valid Michigan teaching certificate.
- 99% of the virtual courses reviewed from selected school districts had an assigned mentor.

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

FINDING #1

Strategy needed to evaluate the virtual learning provided by traditional public schools.

MDE needs to develop a strategy to evaluate the quality and effectiveness of virtual learning provided by traditional public schools. A well-developed evaluation strategy would help MDE better inform the State Board of Education, the Legislature, school districts, and the public regarding the overall effectiveness of the virtual learning provided by traditional public schools and help establish policies and guidance that support virtual learners and improve virtual learning outcomes.

We used the following criteria to evaluate MDE's efforts:

- MDE's mission* is to support learning and learners in Michigan. MDE indicated that for Michigan to become a top 10 education state within 10 years, it must develop a coherent and cohesive strategy that uses evidence and data to continue with progress on key goals.
- Guidance from the U.S. Department of Education indicates that evaluation is important so educational entities can be confident that the programs used in schools and classrooms are successful and can result in better quality practices being delivered more effectively to enhance student learning.
- A comprehensive evaluation process includes evaluations of impacts, performance, processes, and costs. It includes performance indicators for measuring program inputs*, outputs*, and outcomes; performance standards or goals describing the desired level of performance; a data collection system to accurately gather performance data for assessment; a comparison of actual achieved outcomes related to the services and resources provided for a consistent period of time; a reporting of the comparison results to management; an analysis of the performance gaps that exist between the actual and desired performance; and proposals of modifications to improve program effectiveness.

We observed several opportunities for MDE to leverage existing information and data. For example, MDE could:

- Utilize information from MVLRI's annual Michigan K-12 *Virtual Learning Effectiveness Report* to evaluate Statewide trends in virtual course enrollments, pass rates, and student performance and to assess the overall impact of virtual courses on K-12 pupils. MDE could also utilize this information to facilitate a comparison of virtual learners' and non-virtual learners' performance.

The purpose of MVLRI's annual report is to analyze information reported to CEPI by school districts for virtual learners and to share findings of that analysis with

MDE has opportunities to leverage existing information and data to help evaluate the quality and effectiveness of virtual learning programs in traditional public schools.

* See glossary at end of report for definition.

educational stakeholders that allows them to evaluate their virtual learning programs. The report is publicly available and contains information on Statewide trends in virtual course enrollments, pass rates, performance, and overall impacts of virtual courses on Michigan's K-12 virtual learners.

- Obtain, validate, and analyze CEPI virtual course, student, and teacher data to supplement the information from MVLRI's Michigan K-12 *Virtual Learning Effectiveness Report* (see Observation #1). For example, MDE could utilize CEPI information to evaluate:

Available course completion and graduation data could be utilized to help evaluate the effectiveness of traditional public schools in progressing virtual learners toward graduation and/or other desired outcomes.

- Course completion and graduation data for virtual learners in traditional public schools. This type of analysis could help MDE assess the effectiveness of traditional public school districts' virtual programs in progressing virtual learners toward graduation and/or other desired outcomes.
- The number of virtual learners assigned to teachers and/or mentors for virtual courses. This type of analysis could help MDE develop a desired virtual learner to teacher and/or mentor ratio focused toward promoting quality and effectiveness for virtual learning. MDE statistics for school year 2015-16 indicated that the Statewide ratio of students to teachers was 23 to 1, when considering all course types; however, a ratio specific to virtual learning courses was not available.

- Assess the content of third-party virtual courseware used by traditional public schools to evaluate the quality of virtual course content and to help ensure alignment with State standards.

MVLRI has reported that evaluation of course content is the most common approach to assess quality in K-12 online learning*.

- Analyze Statewide assessment test results data for virtual learners in traditional public schools to evaluate virtual learners' achievement toward mastering academic standards and compare with other student subsets.

MDE informed us that it concentrated its efforts on providing school districts with guidance and technical assistance related to virtual learning programs.

* See glossary at end of report for definition.

We consider this finding to be a material condition because of:

- The continued and significant expansion of virtual learner and course enrollments in traditional public schools (see Exhibit #2).
- The potential negative impact that the absence of a well-developed evaluation strategy could have on advancing the achievement of virtual learners in traditional public schools.
- The potential constraints on MDE's ability, as the Statewide oversight body for K-12 education in Michigan, to support its mission and make wholly informed policy decisions and recommendations to the State Board of Education, the Legislature, and other stakeholders that are tailored toward improving virtual learning outcomes.

RECOMMENDATION

We recommend that MDE develop a strategy to evaluate the quality and effectiveness of virtual learning provided by traditional public schools.

AGENCY PRELIMINARY RESPONSE

MDE provided us with the following response:

MDE disagrees with the finding. MDE understands that the OAG feels that MDE should perform regular program evaluations as part of our mission as the department. MDE currently suggests user-friendly, effective evaluation tools to districts, and leverages partnerships to evaluate the quality and effectiveness of virtual learning provided by traditional public schools. Subsequent to fiscal year 2015-2016 and legislative changes, Michigan Virtual evaluates the effectiveness of courses listed in the Statewide Catalog. MDE disagrees with classification of the audit comment. A material condition is defined, in part, as a condition that could impair the ability of management to operate a program. Currently, there is no legislation that establishes a virtual learning evaluation program within MDE, therefore MDE disagrees with the severity of the audit comment classification.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE*

MDE does not dispute that it made changes to its evaluation processes subsequent to the period under audit. We will assess the sufficiency of its corrective actions during our follow-up review. Regarding MV's evaluation of courses listed in the Statewide catalog, since school year 2014-15 MV has consistently captured performance data related to enrollments and pass rates. Most public school districts' virtual learning courses are not included in the Statewide catalog, and consequently, not subject to MV's collection of performance data. The finding indicates the reasons we consider this finding a material condition, and MDE's response provides no additional information to warrant changing our conclusion; therefore, the finding stands as written.

* See glossary at end of report for definition.

FINDING #2

MDE ended the collection of certain student-level data that is needed to compare the effectiveness of virtual and non-virtual courses.

MDE stopped the collection of certain student-level data that State law required to be collected in CEPI. By doing so, MDE diminished its and other entities' abilities to compare the effectiveness of the virtual and non-virtual learning courses provided to students in traditional public schools.

MDE is responsible for setting forth guidance and policy for school districts' data reporting requirements and CEPI is responsible for electronically collecting, securely managing, and reporting education data for Michigan. Section 94a(1) and Section 94a(4) of the State School Aid Act require the collection of student-level data in CEPI that enables the matching of individual teacher and student records and contains student-level transcript information including what courses are completed and the grades earned.

The State School Aid Act requires MVLRI to analyze the effectiveness of online learning delivery models in preparing pupils to be college and career ready and to publish an annual report that highlights enrollment totals, completion rates, and the overall impact on pupils. This includes the virtual learning that is provided by traditional public schools.

Beginning with the 2015-16 school year, MDE reduced the student-level data that it required school districts to report to CEPI from 9 detailed categories that included all students to 4 categories for a limited population of students as shown in the table below:

MDE Student-Level Data Reporting Requirements	
Prior to the 2015-16 School Year Included:	
1.	All elementary students.
2.	All middle school and junior high school students.
3.	All high school students.
4.	Students with active individualized education program (IEP) participating in special education.
5.	Homeschooled and nonpublic migrant-eligible students taking high school courses.
6.	State-approved Career and Technical Education (CTE) courses that are not reported in Career and Technical Education Information System (CTEIS) and courses that are not State-approved CTE courses.
7.	Exited or transfer students who have been actively enrolled in the school district from the start of the school year.
8.	Migrant and non-migrant students.
9.	Dual enrollment/Early and middle college students.
Beginning With the 2015-16 School Year Reduced to Only Include:	
1.	Migrant education participants.
2.	Dual enrollment/Early and middle college students.
3.	Advanced and accelerated learning participants.
4.	Virtual/Online learning participants.

With this change, MDE was not in compliance with State law and lacked the information needed to analyze the effectiveness of how students that utilized virtual learning performed compared with other learning styles. In addition, the reduction in the student-level data collected likely hindered MVLRI's analysis of the performance of virtual and non-virtual learners for its annual report. Although State law does not require MVLRI to compare virtual and non-virtual learners, it does require MVLRI to analyze the effectiveness of digital learning* delivery models in preparing pupils to be college and career ready. This analysis would be most informative through a direct comparison of student-level data for virtual and non-virtual learners. MVLRI indicated in its annual report for the 2015-16 school year that, unlike previous years, data on most non-virtual learners was not available for its analysis because of changes in reporting requirements for the student-level data. MVLRI further noted that within this same report the number of schools reporting information for virtual learner enrollments had also dropped.

In April 2016, MDE significantly reduced the student-level data that it required school districts to report to CEPI; however, the State School Aid Act requires the collection of data in CEPI that includes data at the individual student-level from preschool through postsecondary education and into the workforce.

In April 2016, MDE reduced the level of data to be collected based on feedback from local school districts regarding the burden of submitting and validating student-level data. MDE asserted that its decision to stop requiring the collection of student-level data for all students was supported by its interpretation of Section 94a(1) of the State School Aid Act, in conjunction with other laws. MDE asserted that Section 94a(1) provides MDE and CEPI with broad authority to collect a variety of data, limited by certain sections of Public Act 532 of 2016 and Public Act 533 of 2016.

We disagree with MDE's interpretation and assertion for the following reasons:

- Sections 94a(1)(b) and 94a(4) state that CEPI shall create, maintain, and enhance Michigan's P-20 longitudinal data system. This system **must** include data at the individual student level from preschool through postsecondary education and into the workforce, which enables the matching of individual teacher and student records and contains student-level transcript information, including courses completed and grades earned.
- The applicable sections of Public Act 532 of 2016 and Public Act 533 of 2016 specifically related to **new and/or additional** reporting requirements of the Superintendent of Public Instruction, MDE, or CEPI. These laws did not become effective until April 2017, which was one year **after** MDE issued its guidance to stop collecting certain student-level data, and did **not repeal** Section 94a(1)(b) or Section 94a(4) of the State School Aid Act related to the P-20 longitudinal data system requirements that have remained in effect since July 2010.

* See glossary at end of report for definition.

- Public Act 533 of 2016 reinforced Section 94a of the State School Aid Act by clearly stating that a school district or intermediate school district shall cooperate with ***all*** measures taken by CEPI to establish and maintain a Statewide P-20 longitudinal data system.

We consider this finding to be a material condition because of the fundamental importance and necessity of this student-level data for executing a comprehensive, comparative, and meaningful analysis to evaluate the quality and effectiveness of the virtual learning provided by traditional public schools (see Finding #1) and the likelihood that MDE is in noncompliance with the State law requirements related to the collection of this data.

RECOMMENDATIONS

We recommend that MDE resume the collection of certain student-level data in CEPI, as required by State law.

We also recommend that MDE seek legislative clarification to validate its interpretation of, and compliance with, Sections 94a(1) and 94a(4) of the State School Aid Act.

AGENCY PRELIMINARY RESPONSE

MDE provided us with the following response:

MDE disagrees with the finding. MDE has requested legal clarification from the Attorney General to validate its interpretation of, and compliance with, statutory requirements to collect other student-level data. MDE disagrees with classification of the audit comment. A material condition is defined, in part, as a condition that could impair the ability of management to operate a program. We agree that collecting data is important, but this data alone does not impair the ability to operate a virtual program, therefore MDE disagrees with the severity of the audit comment classification.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE

The finding indicates the reasons we consider this finding a material condition, and MDE's response provides no additional information to warrant changing our conclusion; therefore, the finding stands as written.

FINDING #3

Improved guidance needed for monitoring and evaluating school districts' compliance with State laws and MDE policies related to virtual learning.

MDE needs to strengthen its guidance for the pupil audit process to improve its effectiveness for monitoring and evaluating school districts' compliance with State laws and MDE policies related to virtual learning.

State law mandates that MDE (by authority of the State Board of Education) require each local school board, PSA board, and intermediate school district board and the officers of those boards to observe the laws related to schools, including those applicable to virtual learning.

MDE relies on the pupil audit process conducted by pupil auditors and developed by MDE as its primary mechanism for monitoring school districts' compliance with laws and MDE's policy. Pupil auditors are not MDE employees; rather, they are employees of intermediate school districts or are certified public accountants hired by school districts. MDE provides guidance to auditors and school districts for the pupil audit process through its Pupil Membership Auditing Manual, Pupil Accounting Manual, and MDE authoritative memorandums. State law requires MDE to review, approve, publish, and periodically update its auditing and accounting manuals.

We observed numerous weaknesses in MDE's guidance for the pupil audit process that significantly diminished the effectiveness of monitoring and evaluating school districts' compliance with requirements related to virtual learning activities:

- a. Guidance did not ensure that pupil auditors consistently verified that the populations used to monitor and evaluate school districts' compliance with requirements related to virtual learners and teachers were complete and accurate. Auditors used these populations to test compliance with requirements, such as proper teacher certifications and virtual learner attendance and participation in virtual courses.

For example, pupil auditors' review of populations for the 26 sampled school districts contained approximately 9,600 total virtual learners for school year 2015-16, which was 26% fewer than the approximate 13,000 total virtual learners reported to CEPI by the school districts for the same school year.

MDE's guidance instructed the auditors to obtain populations for testing from the school district when monitoring the accuracy of reported pupil membership counts for the calculation of State aid payments, yet did not provide guidance for a subsequent verification to determine the completeness and accuracy of the student and teacher populations used.

- b. Guidance did not include procedures to validate that teachers held proper subject and/or grade endorsement

26% of reported virtual learners were not subject to the pupil auditor's review.

Over 75% of sampled school districts had teachers that lacked proper grade or subject endorsements for the virtual courses that they were teaching.

Transcript and student information did not support that 14% of the virtual learner graduates reviewed had met all of the applicable MMC graduation credit requirements.

for the virtual courses they taught, as required by State law.

We noted that 20 (77%) of the 26 school districts sampled had 5 or more teachers that lacked the proper grade or subject endorsements for the virtual course(s) they were teaching.

MDE relied on school districts' internal monitoring and complaints filed with MDE's Office of Educator Excellence to help identify instances when teachers may not be properly endorsed for the courses they are teaching.

- c. Guidance did not include procedures to confirm that virtual learners consistently met the applicable MMC graduation credit requirements.

We identified that 14% of the sampled virtual learners that graduated from our sampled school districts in school year 2015-16 did not have transcript or student information on record to support that the virtual learner had met the applicable MMC graduation credit requirements.

- d. Guidance did not ensure that pupil auditors consistently obtained information from school districts regarding the school buildings utilized for virtual learning purposes to verify that each building in use had been assigned a required building code.

MDE required pupil auditors to visit high school and program buildings at least once every two school years and middle school and elementary school buildings at least once every four school years, based on buildings with an assigned building code; however, buildings without an assigned building code would not be subject to the pupil auditors' required field visits. Within the 26 selected school districts, we identified 29 buildings used for virtual learning that did not have an assigned building code in CEPI and, therefore, were not subject to pupil auditors' required field visits.

Consistently obtaining building information during the pupil audit process could help MDE ensure that all buildings used for virtual learning are periodically visited, as required, and have received proper approval for use in the school districts' virtual learning program (see Finding #6).

MDE primarily designed the pupil audit process to monitor the accuracy of reported pupil membership counts for State aid payments. Consequently, MDE's pupil audit process guidance has been significantly less focused toward monitoring school districts' compliance with other State laws and MDE policies, including those related to virtual learning.

We consider this finding to be a material condition because of:

- MDE's substantial reliance on the pupil audit process for monitoring school districts' compliance with several State laws and MDE policies.
- The significance of the error rates noted in this finding.
- The increased risk that school districts' noncompliance could go undetected, persist, and lead to negative impacts on virtual learners' achievements.

RECOMMENDATION

We recommend that MDE strengthen its guidance for the pupil audit process to improve its effectiveness for monitoring and evaluating school districts' compliance with State laws and MDE policy related to virtual learning.

AGENCY PRELIMINARY RESPONSE

MDE provided us with the following response:

MDE partially agrees with the finding because it reflects what was in place during the audit period. Since fiscal year 2015-2016, revisions to the State Aid Act and School Code have been made. The current law has different requirements. The MDE and MV have provided additional training to districts and intermediate school districts. Edits and revisions to MDE's Pupil Accounting Manual and Pupil Membership Auditing Manual are made on a continuous basis. The manuals include guidance and instructions to report pupil membership. School districts and MDE annually review and update the manuals. The MDE regularly submits recommendations to clarify State of Michigan law and meets regularly with subject matter experts. The MDE will continue to update its guidance and training materials for the pupil audit process related to virtual learning teachers, students, courses, and buildings. MDE disagrees with classification of the audit comment. A material condition is defined, in part, as a condition that could impair the ability of management to operate a program. Currently, we have internal controls in place and are in compliance with the law. MDE continues to work with legislators and others to improve/clarify the laws regarding virtual learning, therefore MDE disagrees with the severity of the audit comment classification.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE

MDE does not dispute that it made changes to its monitoring processes subsequent to the period under audit. We will assess the sufficiency of its corrective actions during our follow-up review. The finding indicates the reasons we consider this finding a material condition, and MDE's response provides no additional information to warrant changing our conclusion; therefore, the finding stands as written.

FINDING #4

Improvement needed to demonstrate virtual learners' participation and virtual course attendance.

MDE did not always ensure that school districts demonstrated compliance with virtual learners' participation and attendance requirements. Compliance with these requirements is particularly important because, according to research cited by MVLRI, a lack of communication between educators and virtual learners can result in poor participation, low levels of learning, and learner dissatisfaction.

The State School Aid Act states that a student participating in a virtual course shall be counted in membership for calculation of the school district's foundation allowance*. Pupil auditors conduct semiannual audits of the accuracy of school district membership counts, including virtual learner membership, to determine whether adjustments are necessary to the school district's foundation allowance. MDE's Pupil Accounting Manual outlined specific requirements for virtual learner participation and attendance for the 2015-16 school year, including:

- A virtual learner does not have to physically attend a school facility to receive instruction through online or alternative learning course options offered under a Seat Time Waiver Program (STW). For STW virtual learners, schools must instead demonstrate course participation by documenting at least one two-way communication per week for the four-week count period that must be relevant to the course or virtual learner's progress. MDE informed us that this requirement is intended to develop a pattern of open communication between the virtual learner and mentor that would be beneficial for the remainder of the virtual course.
- A virtual learner must be enrolled in and attending school on count day if not covered under STW. For a virtual learner that is absent on count day, the attendance criteria can be considered met if the pupil returns to school within 10 school days of an unexcused absence or within 30 calendar days of an excused absence.

We performed on-site reviews at 26 selected school districts and examined virtual learners' participation or attendance documentation, as applicable, for 1,117 virtual learners for the 2015-16 school year membership counts. The school districts typically provided us with interaction logs and/or electronic messages between the virtual learner and/or the teacher or mentor to demonstrate virtual learner participation or physical attendance records. We noted:

- a. School districts could not provide documentation of two-way communications to support participation for 156 (35%) of 442 virtual learners that were enrolled in at least one STW course. Further, approximately one-quarter of the two-way communications that school districts documented

* See glossary at end of report for definition.

were not directly related to virtual learners' coursework or progress. For example, we noted instances of communications that focused only on the need for a documented two-way communication for count day purposes. In addition, we noted instances when documentation indicated that only an e-mail had been sent to a virtual learner.

Guidance developed by MV indicates that effective communication promotes an effective learning environment, creates a human bond with virtual learners that is critical in determining their success in the virtual course, is critical to a student's success in a virtual learning experience, and encourages engagement in the course.

- b. School districts could not provide documentation to support attendance for 88 (13%) of 676 virtual learners that were enrolled in a virtual course(s) offered on site at the school facility. Virtual courses of this nature are typically offered in a school classroom, computer lab, or library and are overseen by a teacher or mentor, thereby providing the virtual learner with the opportunity to contemporaneously access needed technology, seek guidance, and ask questions related to their virtual course.

MDE relies on the pupil audit process conducted by pupil auditors to verify virtual learners' participation or attendance and to make appropriate adjustments to school districts' foundation allowance. We identified weaknesses in the pupil audit process that could have contributed to the exceptions noted in this finding (see Finding #3, part a.).

RECOMMENDATION

We recommend that MDE ensure that school districts sufficiently demonstrate compliance with virtual learners' participation or attendance requirements.

AGENCY PRELIMINARY RESPONSE

MDE provided us with the following response:

MDE partially agrees with the finding because it reflects what was in place during the audit period. The current law has different requirements. The MDE and MV have also provided additional training to districts and intermediate school districts. In addition, MDE annually revises the Pupil Accounting Manual and Pupil Membership Auditing Manual based on updated guidance in State of Michigan law and input from virtual learning experts, the State Budget Office, MDE and MV. The MDE regularly submits recommendations to clarify State of Michigan law and conducts meetings with subject matter experts. Every year MDE reviews the Pupil Accounting Manual (PAM) and Pupil Membership Auditing Manual (PMAM) in relation to the pupil audit process to determine what improvements can be made to ensure that districts comply with virtual course enrollment, attendance, and

participation requirements for virtual students. MDE will continue to review and update the PAM and PMAM on an annual basis to ensure that districts are conforming to the latest guidance. MDE disagrees with classification of the audit comment. A reportable condition is defined, in part, as a condition, in the auditor's judgement, that a deficiency exists in internal controls that is significant within the context of the audit objective. Currently, we have internal controls in place and are in compliance with the law. MDE continues to work with legislators and others to improve/clarify the laws regarding virtual learning, therefore MDE disagrees with the severity of the audit comment classification.

**AUDITOR'S
COMMENTS TO
AGENCY
PRELIMINARY
RESPONSE**

MDE does not dispute that it made changes to its pupil audit processes subsequent to the period under audit. We will assess the sufficiency of its corrective actions during our follow-up review. MDE's statement that this finding does not represent a reportable condition (the less significant of our two types of findings) implies that we should not have included this finding in the report. MDE's position does not reconcile well with other aspects of its response in which it acknowledges the weaknesses existed during the audit period. Therefore, the finding stands as written.

FINDING #5

Process needed to help ensure compliance with certain requirements of Section 21f and communication of statutorily provided opportunity to enroll in virtual courses.

MDE had not implemented procedures to help ensure that school districts complied with certain requirements related to virtual learning provided under Section 21f and communicated to students their statutorily provided opportunity to enroll in virtual courses.

The State School Aid Act requirements include:

- Section 21f:
 - Specifies that a school district shall enroll an eligible student in virtual courses during an academic term, semester, or trimester with parental consent.
 - Requires schools to provide data on enrollment and the number of students that earned 60% or more for a virtual course and report how a course addresses State standards for inclusion in the Statewide catalog.
- Section 18:
 - Requires schools offering virtual learning under Section 21f to report to MDE per-pupil costs of operating virtual learning by vendor type.
 - Requires MDE to submit to the House and Senate Appropriations Subcommittees on State school aid, the State Budget Director, and the House and Senate Fiscal Agencies a report summarizing per-pupil costs by vendor type of virtual courses available under Section 21f.

We noted:

- a. School districts did not always provide all required information for inclusion in the Statewide catalog. For approximately 70% of sampled virtual courses, school districts did not report required data on enrollment, number of students passing the virtual course during the previous school year, or how the virtual course addressed academic standards.

Without complete information, students and parents may be hindered from optimizing virtual learning opportunities or may make misdirected decisions when selecting virtual courses from the Statewide catalog.

- b. School districts often did not report to MDE the school districts' per-pupil costs of operating virtual learning provided under Section 21f. Although MDE sends out a yearly survey to school districts to obtain districts' per-pupil costs, nearly 85% of traditional public school districts did not respond to MDE's survey for the 2015-16 school year.

62% of sampled school districts' handbooks and 50% of school districts' Web sites did not contain information related to students' opportunities to enroll in virtual courses.

- c. School districts did not consistently communicate to parents and students the opportunity for students to enroll in virtual courses through handbooks and Web sites. For the 26 school districts reviewed, we noted that 16 (62%) school districts' student handbooks and 13 (50%) school districts' Web sites did not contain information related to students' opportunities to enroll in virtual courses.

Section 21f was created to expand student online learning options; however, school districts need to consistently communicate these options to students to allow educational and technological experiences that may not be available in the school district's traditional school setting.

MDE indicated that school districts' compliance with State law was the school districts' responsibility and that it relied on school districts to monitor their own compliance with requirements for the Statewide catalog. MDE also informed us that it believed that school districts were responsible to self-report to MDE the per-pupil cost information required by Section 21f and that it was not responsible to follow up with school districts that did not self-report or respond to MDE's survey regarding per-pupil costs. In addition, MDE informed us that it did not monitor school districts' communication of the student's opportunity to enroll in virtual courses as provided for in Section 21f.

RECOMMENDATION

We recommend that MDE implement procedures to help ensure that school districts comply with certain requirements related to Section 21f and communicate to students their statutorily provided opportunity to enroll in virtual courses.

AGENCY PRELIMINARY RESPONSE

MDE provided us with the following response:

MDE partially agrees with the finding and will update MDE's current procedures to ensure school districts adequately report required information and communicate students' right to enroll in virtual courses to students and parents. MDE disagrees with classification of the audit comment. A reportable condition is defined, in part, as a condition, in the auditor's judgement, that a deficiency exists in internal controls that is significant within the context of the audit objective. While MDE agrees that it can improve current controls, MDE does not agree with the severity of the audit classification.

AUDITOR'S COMMENTS TO AGENCY PRELIMINARY RESPONSE

MDE's statement that this finding does not represent a reportable condition (the less significant of our two types of findings) implies that we should not have included this finding in the report. MDE's position does not reconcile well with other aspects of its response in which it acknowledges the weaknesses and stated it will update its procedures. Therefore, the finding stands as written.

FINDING #6

Improved procedures needed to help ensure that buildings used for virtual learning are properly approved and suitable environments for virtual learners.

MDE had not implemented procedures to help ensure that buildings used by traditional public schools as virtual learning education centers were properly approved by the Superintendent of Public Instruction and the Department of Licensing and Regulatory Affairs (LARA).

State law mandates that MDE (by authority of the State Board of Education) require each local school board, PSA board, and intermediate school district board and the officers of those boards to observe the laws related to schools. Section 388.855a of the *Michigan Compiled Laws* requires that an existing building, or part of an existing building, that has not been previously used as a school building shall not be used as a school building unless it is approved by the Superintendent of Public Instruction and LARA's Bureau of Fire Services.

MDE did not have a process in place to identify and evaluate school districts' use of off-site virtual learning education centers that likely served a business or commercial use prior to its use as a virtual education center. Consequently, MDE could not ensure that these facilities were appropriately approved by the Superintendent of Public Instruction and/or that school districts had consistently obtained the appropriate approvals from LARA for these buildings. Typically, within these types of buildings, virtual learners periodically receive assistance, access technology, or complete examinations, as needed. In addition, some school districts require virtual learners to regularly attend and to complete their coursework within these types of buildings. We identified various buildings utilized by 26 selected school districts for their virtual learning programs and judgmentally selected 50 off-site buildings that likely previously served a business or commercial use (see Exhibit #4 for photographs of some of the selected buildings). MDE did not require school districts to obtain the approval of the Superintendent of Public Instruction for these types of buildings. In addition, we noted that 46 (92%) of the 50 selected building addresses did not have a certificate of occupancy for educational purposes on file with LARA to certify the building's compliance with applicable building codes and other laws.

MDE indicated that the lack of Superintendent approvals may have been an accidental oversight after Executive Order No. 2009-33 transferred powers of the Superintendent within Section 380.1263 of the *Michigan Compiled Laws* to the former Department of Energy, Labor, and Economic Growth, now known as LARA. Section 380.1263 required the Superintendent of Public Instruction to review and approve all plans and specifications for construction, reconstruction, or remodeling of school buildings to ensure compliance with Sections 388.851 - 388.855a of the *Michigan Compiled Laws*. MDE sought guidance from its Department of Attorney General legal counsel and was informed that although Section 380.1263 was transferred by the Executive Order, Section 388.855a was not transferred. Therefore, buildings not previously used as school buildings still required the Superintendent's approval.

RECOMMENDATION

We recommend that MDE implement procedures to help ensure that buildings used by traditional public schools as virtual learning education centers are properly approved by the Superintendent of Public Instruction and LARA.

**AGENCY
PRELIMINARY
RESPONSE**

MDE provided us with the following response:

MDE agrees with the finding. School buildings must comply with the School Building Law, P.A. 306 of 1937 as amended, and the 1999 School Fire Safety Rules promulgated under the authority of P.A. 207 of 1941, as amended. The Department of Licensing and Regulatory Affairs (LARA), and to an extent MDE, are responsible for compliance with these laws and rules as it pertains to structures or facilities used for instructional purposes. The Department of Licensing and Regulatory Affairs performs the inspections and issues certificates of occupancy. Executive Order 2009- 33 transferred powers within MCL 380.1263 to what is now LARA but did not transfer related powers in 388.855a related to approval of inspections. Currently, neither LARA or MDE issues certificates of occupancy or approvals for buildings that virtual students go to for assistance. MDE will work with LARA to review current laws related to approving buildings in use as virtual learning education centers.

OBSERVATION #1

MDE and DTMB should strengthen their collaborative efforts to help ensure that CEPI data is complete and accurate for use by educational stakeholders.

Valid, reliable, and accurate data is important to help inform educational stakeholders, policymakers, and many others make informed decisions that lead to improved outcomes for Michigan's students.

During our on-site visits to 26 school districts, we noted that the records related to virtual courses, learners, and teachers did not always reflect the information in the related CEPI records.

MDE and DTMB's CEPI work collaboratively for the collection of various school district data required to meet federal or State laws, including student, course, teacher, and school information. CEPI makes the data available through the MI School Data online portal, mandated reports, and ad hoc data requests to help:

- Parents make informed education-related decisions for their children by providing information and comparisons of Michigan's local schools.
- Members of the education community support school improvement efforts and inform teaching and learning efforts in the classroom.
- Policymakers and researchers evaluate Michigan's educational policies. For example, MVLRI uses CEPI data to prepare its annual effectiveness report that is shared with educational stakeholders to allow them to evaluate virtual learning in Michigan.
- Michigan citizens access transparent and unbiased information regarding how schools are meeting the educational needs of children.

Although State law requires CEPI to ensure the validity, reliability, and accuracy of the data collected, MDE possesses the statutory authority to access school district records. This separation of responsibility necessitates a strong coordinated approach to help ensure the accuracy and completeness of CEPI data.

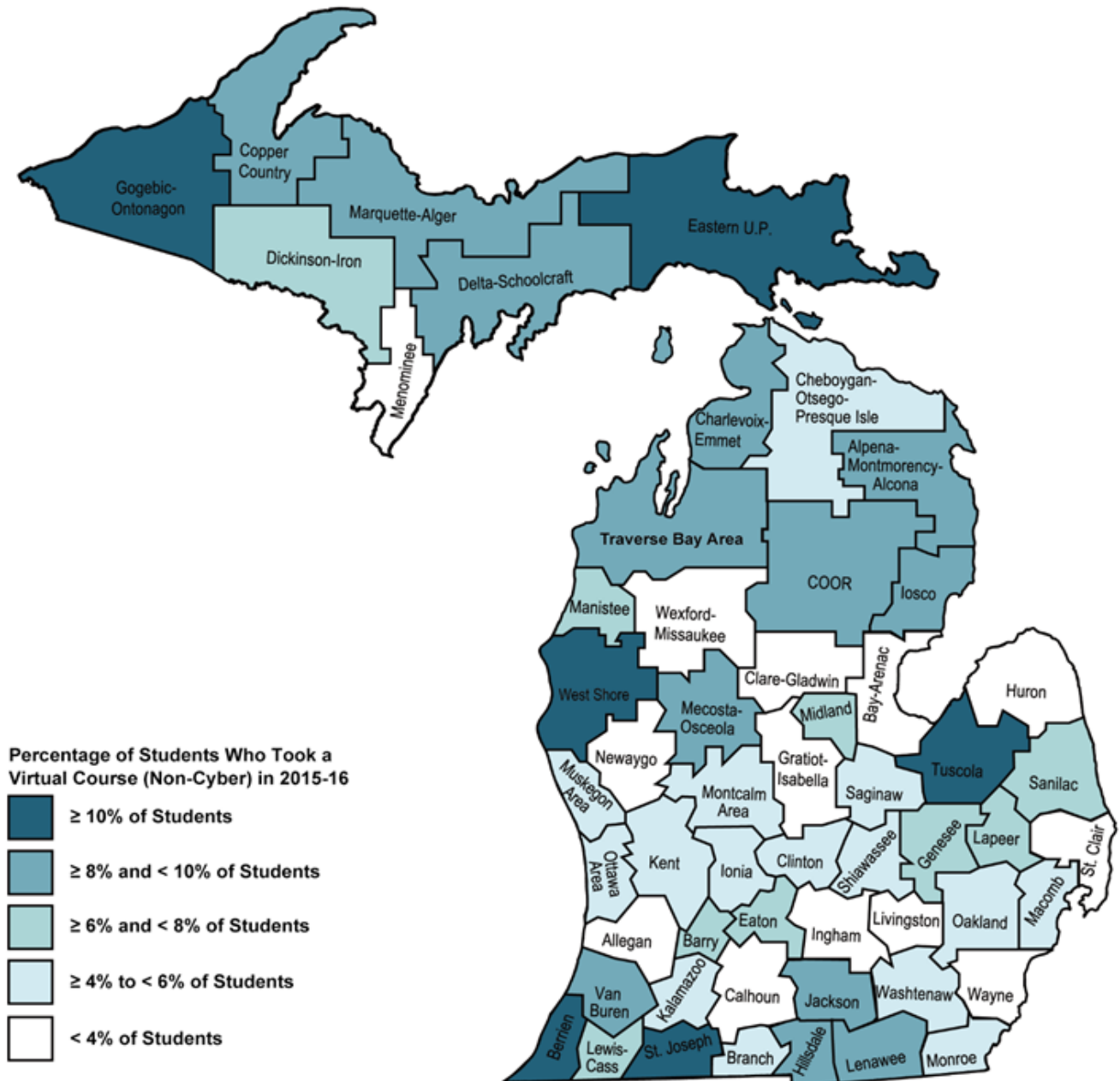
We encourage MDE and DTMB to strengthen their collaborative efforts to help ensure that data reported by school districts to CEPI is complete and accurate to help better inform Michigan's educational stakeholders.

SUPPLEMENTAL INFORMATION

UNAUDITED
Exhibit #1

VIRTUAL LEARNING IN TRADITIONAL PUBLIC SCHOOLS Michigan Department of Education

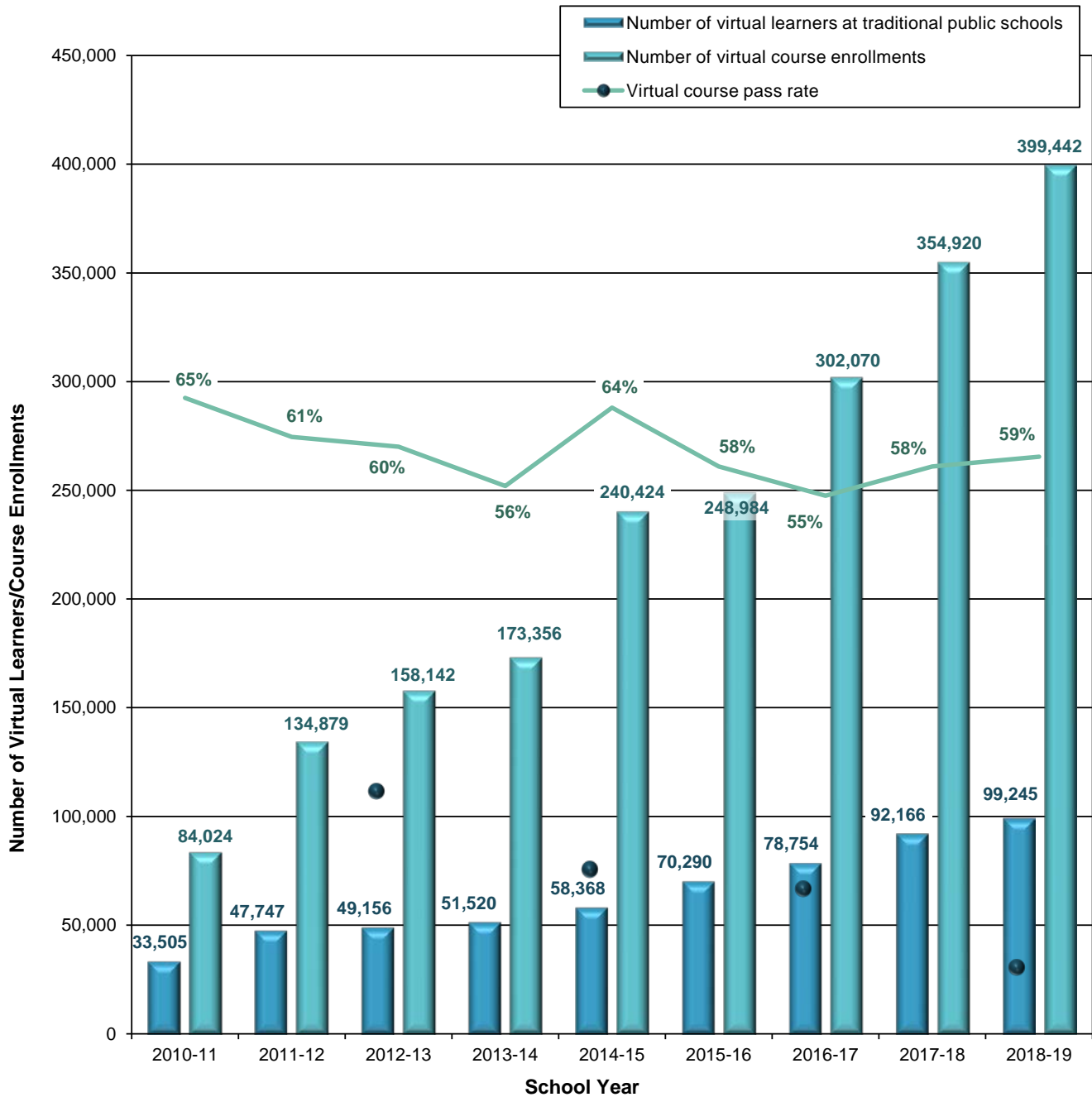
State Map of Virtual Learners For the 2015-2016 School Year



Source: Michigan's K-12 *Virtual Learning Effectiveness Report* for 2015-16 (Figure 1) published in March 2017 by Michigan Virtual Learning Research Institute (MVLRI).

VIRTUAL LEARNING IN TRADITIONAL PUBLIC SCHOOLS
Michigan Department of Education

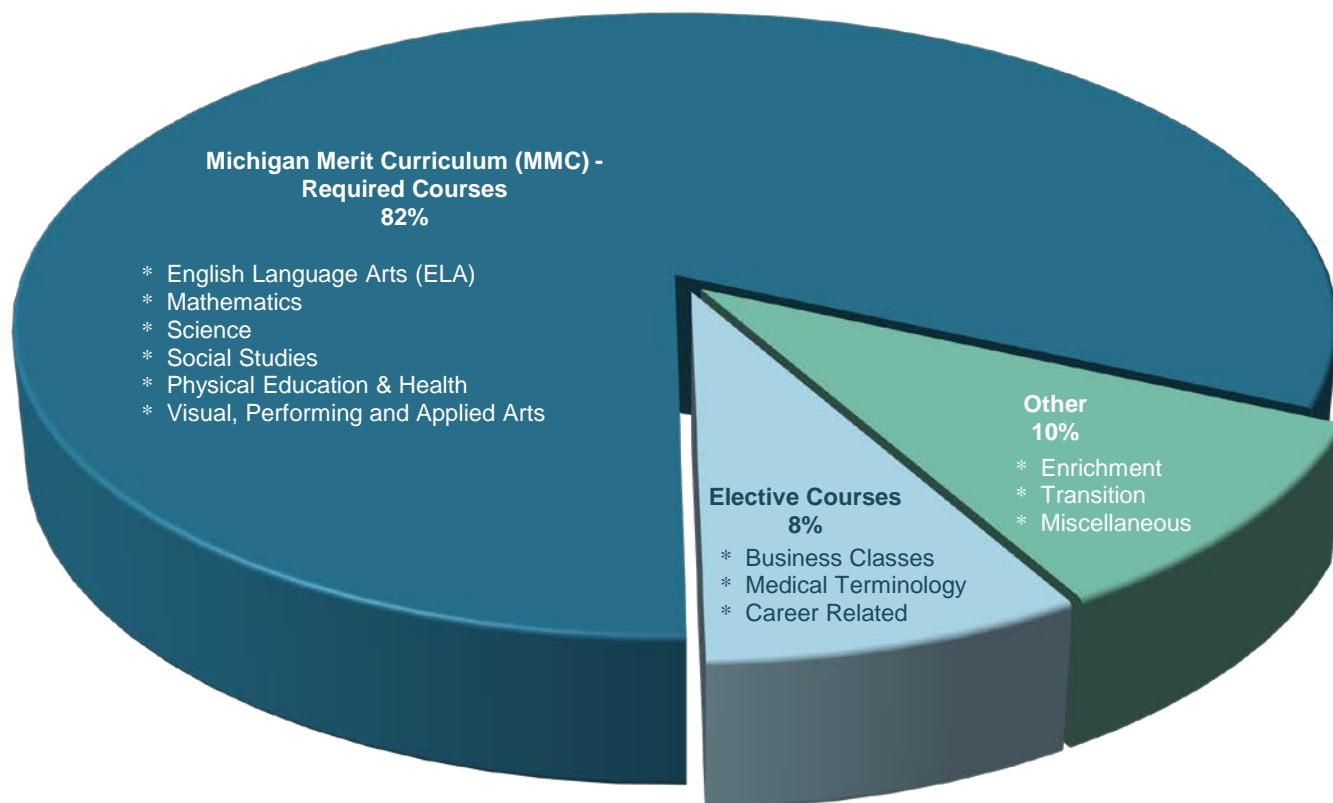
Total Virtual Learners, Course Enrollments, and Pass Rates
As of June 30, 2019



Source: This exhibit was created using CEPI data on virtual courses reported by traditional public schools.

VIRTUAL LEARNING IN TRADITIONAL PUBLIC SCHOOLS
Michigan Department of Education

Types of Virtual Courses Provided by Traditional Public Schools
For the 2015-16 School Year



Source: This exhibit was created using OAG-collected information from 26 sample schools that reported students taking virtual courses.

VIRTUAL LEARNING IN TRADITIONAL PUBLIC SCHOOLS
Michigan Department of Education

Photographs of Virtual Learning Education Centers
As October 2017



This exhibit continued on next page.

Exhibit #4
(Continued)



Note: See Finding #6 for recommendation related to virtual learning education centers.

Source: Photographs were taken by OAG employees. We removed identifying information because the purpose was to provide report readers with a visual image of these learning centers and not to endorse or promote individual sites.

VIRTUAL LEARNING IN TRADITIONAL PUBLIC SCHOOLS

Michigan Department of Education

Traditional Public School Superintendent and Principal Virtual Learning Survey Results

	Response	
	Count	Percent
Q1. Does your school offer online courses to students?		
Yes	187	(98%)
No	4	(2%)
Q2. What are some of the reasons that your school does not offer online courses? Select all that apply.		
Students have not requested to take online courses.	1	(25%)
The cost of online courses is too expensive.	0	(0%)
Our school has limitations related to Internet access and/or computers.	1	(25%)
We were unaware that high school students could take online courses.	0	(0%)
We are unsure of where students can go to enroll in online classes.	0	(0%)
Other (please explain)	3	(75%)
Q3. Approximately how many of your students enrolled in an online course during school year 2015-16?		
None	0	(0%)
1 - 10	13	(7%)
11 - 25	26	(15%)
26 - 50	49	(27%)
51 - 100	46	(26%)
101 - 200	31	(17%)
201 or more	15	(8%)
Q4. What are the primary reasons your students indicate for wanting to take an online course? Check all that apply.		
Course covers a topic that interests them	99	(55%)
Credit recovery	150	(83%)
Advanced placement course	49	(27%)
Graduation requirement	90	(50%)
Convenience and scheduling flexibility	129	(72%)
Other (please explain)	36	(20%)
Q5. How does your school communicate online course opportunity to students and parents? Select all that apply.		
School Website	102	(57%)
Student Handbook	116	(64%)
Guidance counselors or teachers	174	(97%)
Written communication to parents (e.g., letter or e-mail)	85	(47%)
Student and/or parent orientation	116	(64%)
Other (please explain)	15	(8%)
Q6. Does your school require consent by a parent for a student to enroll in an online course?		
Yes	109	(61%)
No	71	(39%)
Q7. How does your school document the parental consent for students to enroll in an online course?		
School-developed form	82	(76%)
Documented conversation with parent to obtain consent	17	(16%)
Other (please explain)	9	(8%)

This exhibit continued on next page.

	Response	
	Count	Percent
Q8. Does your school provide an online orientation to students prior to beginning an online course?		
Yes	111	(62%)
No	67	(38%)
Q9. Does your school provide a computer with Internet access for all students that enroll in an online course?		
Yes	149	(84%)
No	29	(16%)
Q10. Does your school provide students with access to a teacher/mentor while they are taking an online course?		
Yes	174	(98%)
No	4	(2%)
Q11. How does your school record the interaction between the student and the teacher/mentor? Check all that apply.		
Contact log	121	(68%)
E-mail, phone, text records	97	(55%)
Mentor/teacher personally maintained records.	119	(67%)
We do not document these interactions.	16	(9%)
Other (please explain)	12	(7%)
Q12. Does your school require its students to complete any course work in addition to the online requirements to receive credit for an online course?		
Always	6	(3%)
Sometimes	64	(36%)
No	100	(57%)
Not sure	7	(4%)
Q13. Which of the following options does your school use to provide online courses to its students? Select all that apply.		
Michigan Virtual High School	116	(66%)
A course created by your own district personnel.	29	(16%)
A course that your school district provides for which the content is provided by a third party (e.g., Apex, K12, Adventa, Connections).	142	(81%)
Other school districts' course offerings	20	(11%)
Other (please explain)	25	(14%)
Q14. If you use Michigan Virtual High School, how satisfied are you with the quality of online courses that they provided?		
Very Satisfied	27	(22%)
Satisfied	86	(72%)
Unsatisfied (please explain below)	7	(6%)
Very Unsatisfied (please explain below)	0	(0%)
Not applicable	0	(0%)
Comments	21	

This exhibit continued on next page.

Response	
Count	Percent

Q15. If you used courses provided by other districts, how satisfied are you with the quality of the online course that they provided?

Very Satisfied	10	(17%)
Satisfied	44	(75%)
Unsatisfied (please explain below)	4	(7%)
Very Unsatisfied (please explain below)	1	(2%)
Not applicable	0	(0%)
Comments	17	

Q16. Does your school provide online courses to other schools?

Yes	17	(10%)
No	159	(90%)

Q17. What type of delivery method does your school use for online classes? Select all that apply.

Students take the class at a designated time and place in the building with a mentor present.	135	(77%)
Students work at any location and must check in with a mentor during a designated time.	79	(45%)
Students work at any location and can check in with a mentor as needed.	86	(49%)
Students work at any location at any time of the day and do not report to a mentor at school.	14	(8%)
Other (please explain)	14	(8%)

Q18. Based on the history of the grades and learning experiences your school's students have received, how well do you think students' grades and overall learning experience compared in an online course as compared to face-to-face courses?

Students perform better in online courses than face-to-face courses.	2	(1%)
Students perform as well in online courses as they do in face-to-face courses.	16	(9%)
Students perform neither better nor worse in online courses.	54	(31%)
Students perform worse in online courses than face-to-face courses.	52	(30%)
No opinion	13	(7%)
Other (please explain)	39	(22%)

Q19. How does your school ensure that students meet the high school graduation requirement for the completion of an online learning experience?

Students are required to successfully complete at least one online course.	40	(23%)
Teachers integrate online experiences throughout each of the required credits of the Michigan Merit Curriculum courses.	119	(67%)
Students can take the Michigan Virtual High School career forward course.	3	(2%)
Other (please explain)	15	(8%)

Source: The OAG created this exhibit to summarize responses received in our survey of traditional public school superintendents and principals.

DESCRIPTION

MDE was established under the Executive Organization Act of 1965 (Public Act 380m of 1965). MDE is headed by the elected eight-member State Board of Education established by the Michigan Constitution. The principal executive officer is the Superintendent of Public Instruction, who is appointed by the Board. Article VIII, Section 3 of the Michigan Constitution vests in the State Board of Education the leadership and general supervision over all public education.

The Office of Educational Supports (OES) provides support to local educational agencies and PSAs to develop and implement programs and services funded with supplementary federal or State funds to accelerate student achievement as well as supporting MDE policy development. In addition to OES, staff within MDE's Offices of Financial Management, State Aid and School Finance, Educator Excellence, and Educational Assessments and Accountability perform respective duties related to virtual learning in traditional public schools.

OES was appropriated \$18.6 million in fiscal year 2019 and had 72 full-time equated positions as of September 30, 2019.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the records and processes associated with MDE's role and operations related to the virtual learning provided in Michigan's traditional public schools. 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.

Our audit objectives and corresponding audit procedures were directed toward concluding on MDE's role and operations related to the virtual learning provided in Michigan's traditional public schools and not on the quality, appropriateness, or effectiveness of the virtual course content provided. In addition, our audit objectives were not directed toward reaching a conclusion regarding the accuracy of information in DTMB's CEPI database and, accordingly, we provide no such conclusion.

This report is the second report of a three-part series on virtual learning in Michigan. We conducted our audit fieldwork for the three projects concurrently. We issued the first report for Michigan Virtual University (313-0223-17) in April 2018, and Cyber Schools (313-0225-18) will be the third audit report in the three-part series.

PERIOD

Our audit procedures included a preliminary survey, audit fieldwork, site visits, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2013 through December 31, 2016. We updated certain data when possible to reflect current information.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of MDE's operations related to virtual learning in traditional public schools and to establish our audit objectives and methodology. During our preliminary survey, we:

- Examined applicable State laws, MDE policies, and authoritative memorandums.
- Reviewed MDE's vision, mission, values, and goals.
- Analyzed available data and reviewed reports and statistics on virtual learning in Michigan.

* See glossary at end of report for definition.

- Interviewed MDE management and staff to obtain an understanding of MDE's activities related to oversight of virtual learning in traditional public schools, placing an emphasis on the activities with the greatest impact on virtual learning.
- Conducted interviews with management and staff and conducted limited on-site preliminary testing of virtual learning records at a judgmentally selected traditional public school district to obtain an understanding of the virtual learning implemented at the school district level and identify potential risk areas for review.
- Interviewed MV management and staff and obtained an understanding of MVLRI's annual Michigan K-12 *Virtual Learning Effectiveness Report* and MV's maintenance of the Statewide catalog.
- Obtained an understanding MDE's and CEPI's relationship, respective roles, and responsibilities related to the data collected related to virtual learning in traditional public schools.

OBJECTIVE #1

To determine the sufficiency of MDE's efforts to monitor and evaluate the virtual learning provided by traditional public schools.

To accomplish this objective, we:

- Interviewed MDE staff regarding MDE's strategies for monitoring and evaluating the virtual learning provided in traditional public schools.
- Examined MVLRI's Michigan K-12 *Virtual Learning Effectiveness Reports* and other virtual education-related research.
- Assessed the availability of virtual learner data related to Statewide assessment test results, course completions and graduations, course enrollments, and teacher and mentor assignments.
- Reviewed guidance from the U.S. Department of Education regarding the importance of evaluation to educational entities.
- Obtained and reviewed State statutes and other applicable information related to the student-level data reporting change that MDE implemented beginning with school year 2015-16 to determine the impact on MDE's ability to evaluate virtual learning and comply with statutory requirements.

- Reviewed MDE's pupil accounting and pupil membership auditing manuals and evaluated the guidance that MDE provided to school districts and pupil auditors related to virtual learning provided by traditional public schools.
- Judgmentally selected a sample of 26 traditional public school districts from the Statewide population of 395 that reported virtual learners and met other specified criteria to assess the effectiveness of MDE's efforts to monitor and ensure school districts' compliance with various State statutes and MDE policies.

We randomly selected a sample of 1,180 virtual learners for testing from the population of approximately 13,000 that the 26 selected school districts reported as enrolled in one or more virtual classes during the 2015-16 school year. These 1,180 randomly selected virtual learners had 419 associated teachers.

As applicable, we performed on-site reviews of relevant school records and conducted reviews of MDE's records to determine whether:

- Virtual course teachers held a valid Michigan teaching certificate and proper subject and grade endorsements.
- The transcripts of 276 virtual learners that graduated during the 2015-16 school year met the applicable MMC credit requirements for graduation.
- Virtual learners met the applicable virtual course attendance and participation requirements.
- A mentor was assigned, and a teacher of record was designated, for each virtual course indicated on the selected virtual learner's schedule and the assigned individual(s) was a professional employee of the district.
- School buildings that the district utilized for virtual learning purposes had been assigned a required building code.

Because of our judgmental sample selection, we could not project our results to the entire population.

- Obtained an understanding of the pupil audit process related to virtual learning and reviewed select pupil audit findings for the 2015-16 school year for 26 sampled school districts.

- Acquired the virtual learner populations utilized by pupil auditors for the 2015-16 school year pupil audit process for 26 judgmentally selected school districts and compared the populations with data reported to CEPI to evaluate differences.
- Evaluated student handbook and public Web site information for 26 selected school districts to determine how the school districts communicated students' opportunities to enroll in virtual courses.
- Obtained and reviewed Statewide catalogs and performed testing to assess school districts' compliance with selected requirements for virtual courses under Section 21f. We:
 - Randomly selected and reviewed 12 of 2,049 virtual courses for school years 2014-15 and 2015-16 to determine whether the catalog contained required course pass rates and enrollment information.
 - Randomly selected and reviewed 57 of 3,549 virtual courses from 12 judgmentally selected school districts for school years 2014-15, 2015-16, and 2016-17 to determine whether the catalog contained all required course information.
 - Randomly selected and reviewed 62 of 3,000 virtual courses from 14 judgmentally selected schools for school years 2014-15, 2015-16, and 2016-17 to compare course quality review documentation with course quality review scores that were included in the Statewide course catalog.

Because of our judgmental sample selection, we could not project our results to the entire population.

- Reviewed MDE's records for the 2015-16 school year to determine whether all 596 traditional public school districts reported to MDE the per-pupil costs of operating virtual learning provided under Section 21f, as required.
- Identified various buildings utilized by 26 selected school districts for their virtual learning programs and inquired of MDE about its process for ensuring that buildings used for virtual learning had the appropriate approval from the Superintendent of Public Instruction. In addition, we judgmentally selected 50 of the buildings we identified and inquired of LARA whether the buildings had a certificate of occupancy on file.

- Surveyed 921 superintendents and principals from 466 Michigan school districts and examined the 191 responses received including, but not limited to:
 - Methods school districts used to communicate to students and parents the opportunity to take virtual courses (see Exhibit #5, Question #5).
 - How school districts provided access and support to students for virtual courses (see Exhibit #5, Questions #8, #9, #10, #13, and #17).
 - Respondents' level of satisfaction with the quality of certain online courses (see Exhibit #5, Questions #14 and #15).
 - Respondents' opinions regarding how well students' grades and overall learning experience for an online course compare to face-to-face courses (see Exhibit #5, Question #18).
- Compared information for 746 individuals identified from our testing procedures for the 26 sampled school districts as instructing and/or mentoring virtual learners for school year 2015-16 to the Michigan Public Sex Offender Registry (PSOR). Our comparison did not identify any of the 746 individuals within the PSOR.

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 6 findings and 7 corresponding recommendations. MDE's preliminary response indicates that it disagrees with 3 of the recommendations, partially agrees with 3 of the recommendations, and agrees with 1 recommendation.

The agency preliminary response that follows each recommendation in our report was taken from the agency's 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 an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, 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 supplemental information presented as Exhibits #1 through #5. Our audit was not directed toward expressing a conclusion on this information.

GLOSSARY OF ABBREVIATIONS AND TERMS

auditor's comments to agency preliminary response	Comments that the OAG includes in an audit report to comply with <i>Government Auditing Standards</i> . Auditors are required to evaluate the validity of the audited entity's response when it is inconsistent or in conflict with the findings, conclusions, or recommendations. If the auditors disagree with the response, they should explain in the report their reasons for disagreement.
CEPI	Center for Educational Performance and Information.
count day	Two official designated days each school year that occur on the first Wednesday in October and second Wednesday in February to establish the official student membership count for school districts' State school aid funding.
COVID-19	The infectious disease caused by the most recently discovered coronavirus. This new virus and disease were unknown before the outbreak began in Wuhan, China, in December 2019. COVID-19 is now a pandemic affecting many countries globally.
digital learning	Instruction delivered via a Web-based educational delivery system that uses various information technologies to provide a structured learning environment, including online and blended learning instructional methods.
DTMB	Department of Technology, Management, and Budget.
effectiveness	Success in achieving mission and goals.
foundation allowance	The base amount of dollars per student enrolled that a school district receives in State support. This amount varies by district and by year.
LARA	Department of Licensing and Regulatory Affairs.
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. Our assessment of materiality is in relation to the respective audit objective.
MDE	Michigan Department of Education.

mentor	A professional employee of the district who monitors the student's progress, ensures the student has access to needed technology, is available for assistance, and ensures access to the teacher of record. A mentor may also serve as the teacher of record if the mentor meets the required qualifications.
Michigan Merit Curriculum (MMC)	Legislation that specifies that all students awarded a diploma, with certain exceptions, have demonstrated proficiency with the content outlined by the State academic standards, benchmarks, or guidelines.
Michigan Virtual (MV)	A nonprofit corporation that was created by the Michigan Legislature in 1998 to help advance education through digital learning, research, innovation, policy, and partnerships. Formerly known as Michigan Virtual University.
Michigan Virtual Learning Research Institute (MVLRI)	Created by MV and exists to expand Michigan's ability to support new learning models, engage in active research to inform new policies in online and blended learning, and strengthen the State's infrastructures for sharing best practices.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
observation	A commentary that highlights certain details or events that may be of interest to users of the report. An observation may not include all of the attributes (condition, effect, criteria, cause, and recommendation) that are presented in an audit finding.
OES	Office of Educational Supports.
online learning	A course of study that is capable of generating a credit or a grade that is provided in an interactive Internet-connected learning environment, where students are separated from their teachers by time or location or both.
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.
provider	The source of the virtual course. A provider may be a school, a school district, a community college, MV, or another third-party entity.

PSOR	Michigan Public Sex Offender Registry.
public school academy (PSA)	A State-supported public school under the State Constitution, operating under a contract issued by a public authorizing body and is also commonly referred to as a charter school.
pupil auditor	An individual who performs the pupil membership audit. This can be a certified public accountant or an individual who is employed by the intermediate school district and is trained in pupil accounting and auditing procedures, rules, and regulations.
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	Online course catalog that is populated with course titles and syllabi submitted by local school districts, intermediate school districts, and MV that is intended to be a general source of information for students, parents, and schools to provide them with information needed to make enrollment decisions.
STW	Seat Time Waiver Program.
teacher of record	A teacher who holds a valid Michigan teaching certificate; 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.
traditional public school	Public school districts, including intermediate school districts, that do not include public school academies or cyber schools.
virtual learner	A student that is enrolled in one or more virtual learning courses.



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