

Office of the Auditor General  
Performance Audit Report

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**Virtual Learning in Cyber Schools**  
Michigan Department of Education

September 2021

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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*

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### Performance Audit

**Report Number:**  
**313-0225-18**

### Virtual Learning in Cyber Schools

### Michigan Department of Education (MDE)

**Released:**  
**September 2021**

Cyber schools are public school districts organized and operated under Section 380.552(2) of the *Michigan Compiled Laws* and designed to provide full-time instruction to students through online learning or otherwise on a computer or other technology, and this instruction and learning may occur away from a school facility. Authorizing bodies (authorizers) opened 18 and closed 3 cyber schools since the 2010-11 school year. During our audit period, authorizers opened 8 cyber schools and the number of students participating in virtual learning in cyber schools increased 32% to approximately 17,000 students in the 2018-19 school year.

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

Audit Objective			Conclusion
Objective 1: To assess the sufficiency of MDE's monitoring of cyber school authorizers.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDE's assurance and verification process did not require cyber school authorizers to develop plans to address MDE's recommendations and did not include procedures to detect noncompliance in cyber schools. MDE recommended improvements in all 16 (100%) key monitoring processes for 2 (50%) of 4 authorizers we reviewed. In addition, we identified noncompliance in all 5 (100%) of the cyber schools we reviewed operating under the 4 authorizers. MDE asserted it did not have the authority to address when authorizers are not sufficiently monitoring the cyber schools ( <a href="#">Finding 1</a> ).	X		Partially agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Legislative clarification may help ensure cyber schools provide students with computers when needed and Internet funding to families ( <a href="#">Observation 1</a> ).	Not applicable for observations.		

Audit Objective			Conclusion
Objective 2: To assess the effectiveness of MDE's efforts to monitor and evaluate the virtual learning provided by cyber schools.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Documentation was insufficient to support cyber school students' participation in coursework for 52% of the students reviewed. Cyber schools did not support participation in 14% and 23% of courses reviewed during the fall and spring count periods, respectively. Five of 7 cyber schools reviewed could not provide any documentation to support that their students met the 1,098-hour participation requirement ( <u>Finding 2</u> ).	X		Agrees
Opportunities exist for MDE to utilize available information to develop a more comprehensive strategy to assess the quality and effectiveness of the virtual learning provided by the cyber school model ( <u>Finding 3</u> ).		X	Partially agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Potentially unclear legislation exists concerning criminal history background checks for cyber school employees who may reside outside of Michigan and potentially conflicting legislation exists for some enrollment eligibility requirements for cyber schools. In addition, legislative requirements regarding minimum hours of participation for cyber school students may not be appropriate or measurable in a virtual learning environment ( <u>Observation 2</u> ).	Not applicable for observations.		

Audit Objective			Conclusion
Objective 3: To assess the sufficiency of MDE's process to ensure that contracts establishing cyber schools meet statutory requirements.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		

Audit Objective			Conclusion
Objective 4: To compile information on the State's funding of cyber schools and their reported costs.			Compiled
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.	Not applicable.		

Observations Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
Enhanced financial reporting requirements for cyber schools and their educational management organizations for the use of State school aid funding could help improve transparency, accountability, and consistency with traditional public schools (Observation 3).	Not applicable for observations.		

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# OAG

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**Doug A. Ringler, CPA, CIA**  
Auditor General

September 24, 2021

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 Cyber Schools, Michigan Department of Education. This is the third issued report in a three-part series of performance audits on virtual learning in Michigan.

We organize our findings and observations by audit objective. 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

# MONITORING OF CYBER SCHOOL AUTHORIZERS

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## BACKGROUND

State law allows for the establishment of a public school district referred to as a cyber school\* that is required to provide full-time instruction to students through online learning\*. Cyber school students primarily receive their instruction and participate in learning away from a school facility, and most students are not geographically located near the cyber school's facility (see Exhibit 2). Some cyber schools offer locations that students can visit to receive assistance or access technology.

Michigan allows the boards of local school districts and the governing boards of State public universities to authorize the organization of a cyber school. University authorizing bodies\* (authorizers) designated offices and staff responsible for monitoring their public school academies\* (PSAs), including cyber schools. Local school districts utilized their administrative staff to develop procedures and monitor their cyber school's compliance with applicable laws and regulations.

State law requires authorizers to oversee each cyber school operating under a contract\* issued by the authorizer, and authorizers are responsible for overseeing compliance by the board of directors with the contract and all applicable laws. This delegated oversight\* responsibility to authorizers is in addition to the Superintendent of Public Instruction's (SOP's) authority to require PSAs' boards of directors to observe the laws relating to schools.

State law allows the SOP to suspend the power of an authorizer to issue new contracts to organize and operate PSAs when it finds an authorizer is not engaging in appropriate continuing oversight of 1 or more PSAs. The Michigan Department of Education's (MDE's) PSA Unit is responsible for reviewing cyber school authorizers' monitoring efforts.

The PSA Unit visits authorizers on a rotating basis to conduct its voluntary assurance and verification (A&V) process every 2 to 3 years. The A&V process includes the authorizer's completion of a self-assessment checklist followed by the PSA Unit performing verification of the authorizer's policies and procedures to determine the completeness of the authorizer's monitoring processes. Within the self-assessment, authorizers assign a score for their monitoring procedures related to five main compliance areas, including overseeing:

- Applications, authorizing, and contracting
- PSA governance
- Facilities
- Quality of learning
- Financial accountability

\* See glossary at end of report for definition.

The PSA Unit designed its visits to ensure authorizers had documented evidence of their monitoring efforts to determine cyber schools' compliance with select statutory requirements, to provide technical assistance to the authorizers, and to promote communication between the authorizers and MDE.

Authorizers can voluntarily seek accreditation from a nationally recognized accreditation body. The accreditation process is an external measure of quality and includes a systematic and representative review of how well the authorizers define and monitor the effectiveness\* of their cyber schools' academic and instructional programs, operations, governance, and financial performance. The accreditation process also determines the extent to which authorizers hold cyber schools accountable to quality standards and assess stakeholder feedback, learner outcomes, and evidence of the school's effectiveness.

**AUDIT OBJECTIVE**

To assess the sufficiency of MDE's monitoring of cyber school authorizers.

**CONCLUSION**

Sufficient, with exceptions.

**FACTORS  
IMPACTING  
CONCLUSION**

- The PSA Unit completed its A&V review of 4 select cyber school authorizers.
- The PSA Unit provided constructive and thorough feedback reports to authorizers to encourage the continued improvement of oversight procedures.
- Observation\* related to needed legislative clarification (Observation 1).
- Material condition\* related to the need for improvement in MDE's A&V process (Finding 1).

\* See glossary at end of report for definition.

## FINDING 1

**Improvement needed in A&V process to identify and remediate when authorizers are not effectively monitoring cyber schools.**

MDE has authority to ensure cyber school authorizers are engaging in appropriate continuing oversight.

MDE should improve its authorizer A&V process to better identify and remediate when authorizers are not effectively monitoring their cyber schools' compliance with applicable laws and regulations.

An improved A&V process that encompasses cyber legislation would enable MDE to better ensure sufficient authorizer monitoring and initiate action to improve authorizer monitoring to enhance student and cyber school performance or suspend authorizer contracting privileges when warranted.

The following citations provide MDE the requisite authority and responsibility to address when authorizers are not sufficiently monitoring the cyber schools:

- Section 380.552(9) of the *Michigan Compiled Laws* mandates that authorizers are to engage in "appropriate continuing oversight" of a school of excellence\* (SOE), and provides the SOPI the ability to suspend the power of an authorizing body to issue new contracts to organize and operate SOEs if the SOPI finds that an authorizing body is not engaging in appropriate continuing oversight of 1 or more SOEs under contract. Current cyber legislation defines a cyber school as an SOE.
- Article VIII, Section 3 of the Michigan Constitution provides MDE with the responsibility for general supervision and leadership responsibility over all public education.
- Section 380.1281(1) states that MDE shall require each PSA board to observe the laws relating to schools.
- Section 380.502(4), which prescribes the authorizers' responsibility for overseeing compliance of PSAs, specifically states that the Section does not relieve any other government entity of its enforcement or supervisory responsibility.

MDE's oversight of cyber school authorizers primarily consisted of periodic, voluntary, on-site A&V visits with the authorizers. MDE focused its assessment on 16 monitoring processes that included but were not limited to ensuring cyber schools complied with requirements related to quality of learning, governance structure, and financial accountability. At the conclusion of each on-site visit, MDE provided the authorizers with feedback reports that included recommendations for the authorizers to improve their monitoring efforts.

We conducted on-site reviews of 3 authorizers and conducted a desk review of 1 authorizer's procedures and documentation to determine if available evidence supported that the authorizers had implemented the 16 monitoring processes. We also reviewed the feedback reports MDE provided to the authorizers and identified how many of the 16 monitoring processes MDE recommended

\* See glossary at end of report for definition.

authorizers improve upon. In addition, we visited 5 cyber schools under these 4 authorizers and performed additional testing of the schools' compliance with specific requirements concerning teacher certifications and/or endorsements, criminal background checks, and certain governance related to the availability of cyber school board meeting minutes and requisite number of board members. We noted:

- a. Authorizers had not implemented MDE's recommendations to improve monitoring and we identified related noncompliance in the cyber schools. In addition, during our on-site visits to 5 selected cyber schools, we identified instances of noncompliance with State laws that MDE had not identified during its reviews.

The following table illustrates the results of our review:

Authorizers	Number of Monitoring Processes MDE Recommended Improvement	Schools	Teacher Certifications and/or Endorsements		Criminal Background Checks		Board Meeting Minutes/Number of Members	
			MDE <sup>1</sup>	OAG <sup>2</sup>	MDE <sup>1</sup>	OAG <sup>2</sup>	MDE <sup>1</sup>	OAG <sup>2</sup>
A1	0	A1 - S1	No	Yes	No	No	No	Yes
A2	0	A2 - S2	No	Yes	No	No	No	Yes
		A2 - S3		Yes		Yes		Yes
A3	16	A3 - S4	Yes	Yes	Yes	No	Yes	Yes
A4	16	A4 - S5	Yes	Yes	Yes	Yes	Yes	No

<sup>1</sup>Did MDE recommend improvements for authorizers?

<sup>2</sup>Did the OAG identify noncompliance at the cyber schools?

We identified noncompliance with State laws in cyber schools despite MDE's conclusion that authorizers had appropriate monitoring procedures in place.

MDE could improve its A&V process by:

- Modifying the A&V criteria as it relates to performing additional procedures to evaluate the effectiveness of the authorizers' monitoring to detect and mitigate noncompliance in cyber schools. Also, requiring authorizers to provide results to MDE of their monitoring efforts and requiring evidence the authorizers had ensured their cyber schools had corrected any identified noncompliance could improve the A&V process.
- Requiring authorizers to participate in formal feedback from the A&V process and develop plans to timely address MDE's recommendations for improvement and ensure sufficient authorizer monitoring and cyber school compliance with applicable laws and regulations.

Although MDE recommended that 2 authorizers improve their monitoring in all 16 areas, MDE took no further action with these authorizers.

- b. MDE had not established benchmarks to assess the sufficiency of the authorizers' overall implementation of monitoring procedures or defined "appropriate continuing oversight." Establishing benchmarks to measure the authorizers' implementation of the 16 monitoring procedures, and other considerations MDE determines are necessary, would help MDE develop a grading scale to identify when appropriate remedial action is necessary to improve authorizer monitoring or suspend authorizers' ability to contract with new cyber schools.
- c. MDE should consider publishing guidance, including the A&V checklist, to help the authorizers develop monitoring procedures for cyber schools that align with MDE's expectations and improve the likelihood of the authorizers' detection of cyber schools' noncompliance with applicable laws and regulations. In addition, MDE could consider a risk-based approach in conducting its A&V visits that could impact the frequency and the comprehensiveness of the criteria reviewed. A risk-based approach could consider the authorizer's experience in monitoring PSAs, the number and type of PSAs, and MDE's past experience with evaluating the authorizer's monitoring processes.

MDE asserted that it believed it lacked the authority to enforce plans developed by the authorizers to address its recommendations for improvement and the SOP's authority to prevent authorizers from issuing new contracts did not apply to contract renewals with existing cyber schools. However, as previously noted, we believe MDE has the authority and responsibility. Also, a contract renewal occurs when an existing contract ends and the parties enter into a new contract, usually for the same or very similar services and can be differentiated from contract extensions. Seeking legislative clarification and/or an opinion from the Department of Attorney General regarding its authority over cyber school authorizers may help MDE navigate future policy decisions.

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

- MDE's interpretation of its authority and role in providing oversight of authorizers.
- The lack of steps in the A&V process to test the effectiveness of the authorizer's procedures in detecting noncompliance and the noncompliance we identified in the cyber schools.
- The lack of requirement for authorizers to submit plans to timely address MDE's recommendations.

## RECOMMENDATION

We recommend that MDE improve its authorizer A&V process to better identify and remediate when authorizers are not effectively monitoring their cyber schools' compliance with applicable laws and regulations.

## AGENCY PRELIMINARY RESPONSE

MDE provided us with the following response:

*MDE partially agrees with the finding. MDE will enhance the current Assurance and Verification (A&V) process to include all cyber school law requirements and to address the increased number of Local Education Agency authorizers that have authorized cyber schools. The A&V visit schedule will be adjusted based on authorizer experience. A formal feedback component to discuss the findings will be added to the A&V process identifying the authorizer's individual level of oversight.*

*MDE disagrees with areas in the report that state MDE has authority which is not expressly given in law. The A&V process is voluntary and collaborative in nature and all authorizers participate in this voluntary process. The A&V process was adapted to align with the Michigan Council of Charter School Authorizers (MCCSA) Cognia Accreditation benchmarks to ensure that all 16 indicators in the A&V document are evaluated. The voluntary A&V verifies authorizer oversight by identifying whether the authorizer has processes in place to successfully monitor the schools in its portfolio.*

*Each A&V visit results in:*

- 1. A written evaluation that compares authorizers' initial self-assessment with MDE's final review of the oversight process.*
- 2. Identification of areas where authorizers have limited process and resources, with feedback to improve.*
- 3. Identification of consistent and complete processes that show quality oversight.*

*MDE meets with all new authorizers prior to the first A&V visit to introduce the A&V and to help new authorizers understand, develop, and design effective oversight procedures.*

*MDE provides each authorizer access to:*

- The evaluation document.*
- The self-evaluation rubric.*
- Suggestions on evidence to collect.*
- Other various resource materials.*

*MDE is currently working with partners to create and share best practice documents and will enhance procedures to assist cyber school authorizers on their monitoring responsibilities of cyber schools' compliance with applicable laws and regulations.*

*MDE does not agree with the statement in Finding 1 that indicated MDE took no further action after A&V visits were conducted. MDE did provide each authorizer with additional resources to improve their processes and documented feedback indicating strengths and deficiencies. Current authorizer oversight by MDE has demonstrated effectiveness as evidenced by the closure of noncompliant cyber academies by the authorizer. There is no identified law requiring oversight process review by MDE or submission of a corrective action plan, though authorizers continue to participate in the voluntary A&V.*

*MDE understands that the superintendent of public instruction only has the ability to suspend an authorizer to issue new contracts (MCL 380.502(5)). This does not extend to the reauthorized contracts for an existing school with a school code. The repeal of MCL 380.1280c, which reduced the superintendent of public instruction's ability to close a school, applies equally for charter schools. The OAG belief that the superintendent of public instruction can suspend an authorizer from reauthorization of contracts would effectively close a school. As a result, MDE does not have full authority over authorizers. MDE will seek independent legal advice, when possible, to determine MDE's oversight capacity.*

*Also, MDE does not agree with the recommendation to develop a ranking or grading system of cyber authorizers. This idea does not take into consideration the size of an authorizer portfolio or experience. The assistance provided through the A&V supports an authorizer with its oversight process. Additionally, law does not give MDE the authority to evaluate, or grade, authorizers.*

*While MDE finds value in some of the suggested modifications to the A&V, the factors above provide rationale by which MDE would recommend that our findings be reportable not material in condition.*

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

We acknowledge in the finding MDE's policy decision to make its A&V process voluntary. In 2014, the SOPI at that time developed a list of authorizers that were at risk of suspension based on the deficiencies in key factors of their oversight of PSAs and identified the A&V process as part of a long-term accountability system. There has been no change in MDE's statutory or constitutional authority since that time concerning its oversight over authorizers that would have diminished its capacity to hold authorizers accountable.

MDE took no further action with the authorizers we identified in the finding to ensure accountability and, based on our review, noncompliance continued in the cyber schools in areas of teacher certifications, criminal background checks, and board meeting minutes and member requirements. In addition, the authorizers MDE references who closed two cyber schools did so only after MDE took action concerning allegations from whistleblowers of improprieties. While MDE's actions were appropriate, they were

\* See glossary at end of report for definition.

in response to allegations brought to MDE's attention and not the result of its A&V process.

MDE's statement that the SOPI's ability to suspend an authorizer to issue new contracts does not extend to the reauthorized contracts for an existing school implies all existing contracts with cyber schools will continue in perpetuity, regardless of their compliance with State laws or impact on the students they are serving. MDE indicates in its response that it will seek independent legal advice, when possible, to determine its oversight capacity.

The OAG did not recommend a ranking system of cyber school authorizers. The development of an objective grading scale applied consistently by MDE could help it better identify when it needs to take remedial action with authorizers who are not sufficiently monitoring their cyber schools.

We will assess the sufficiency of MDE's 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.

## OBSERVATION 1

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**Legislative clarification may help ensure cyber schools provide students with the fundamental components for virtual learning.**

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Technology, including computers and Internet access, is a key component to the operation of cyber schools and to the success of cyber school students. The Legislature recognized the importance of computers and Internet access and developed State law to address these basic student needs.

Section 380.552(2)(e) of the *Michigan Compiled Laws* requires cyber schools to subsidize the cost of Internet access for students enrolled in a cyber school and offer each student's family a computer but does not specify if cyber schools should provide a computer to each student.

We performed on-site reviews at 7 selected cyber schools and reviewed school policies and handbooks to determine the cyber school's policy for offering computers to families and providing Internet subsidization. We also examined the relevant school records related to Internet subsidy payments and issuance of hotspot devices\* for the 2016-17 school year.

The 7 cyber schools claimed the per pupil foundation allowance\* for 7,163 students residing in approximately 6,214 households during the 2016-17 school year, equating to over \$44.7 million in revenue. The foundation allowance represents the primary source of revenue that cyber schools use to pay for their core operations, including instruction and other mandated expenditures, and to purchase computers and subsidize students' Internet costs.

At the 7 cyber schools, we observed:

- All 7 cyber schools followed the law as written by having policies that offered each family a computer.

For the 2016-17 school year, we identified 13% of these cyber school students resided in a household with 1 or more additional cyber school students attending the same school. In addition, 74% of the total cyber student population for the 2016-17 school year was considered economically disadvantaged, demonstrating that these families may not have the economic resources available to purchase their own computers.

- All 7 cyber schools provided some type of payment to families to help subsidize Internet costs or issued families hotspot devices for Internet services.

For the 2016-17 school year, we determined the cyber schools:

- Provided Internet subsidy payments to 1,575 (25%) households, totaling \$208,000.
- Issued a hotspot device to 112 (2%) households for Internet access.

\* See glossary at end of report for definition.

In addition, 6 (86%) of the 7 cyber schools' handbooks contained eligibility requirements for students to qualify for Internet subsidy payments that are not provided for in State law.

Examples of the eligibility requirements included:

- Submitting receipts from their Internet service provider.
- Displaying 100% attendance.
- Completing State required standardized testing.
- Being enrolled at the cyber school at the time the school designated for its periodic payment dates throughout the school year.

Subsidizing Internet access costs may help alleviate financial hardships for cyber households, potentially improve the student's ability to learn with more consistent Internet access, and help retain students in the cyber school environment.

The *Michigan Compiled Laws* Section currently does not provide for or preclude cyber schools from implementing eligibility requirements for students to receive the subsidization payment.

MDE should consider methods of collecting and evaluating, along with other pertinent state agencies, information to determine if barriers exist to cyber school families that prevent them from acquiring mandated computers and subsidies. Monitoring cyber schools' implementation of these statutory requirements could be achieved during MDE's A&V visits to the authorizers.

Related legislative issue(s) that may need clarification and/or updating:

1. Because the Legislature requires MDE to calculate a cyber school's State aid funding based on the number of students and not the number of families, clarification should be sought as to whether the intent of the Legislature was to ensure equitable treatment of each student in a cyber school regardless of the number of family members enrolled in the cyber school.
2. The evolution of technological tools beyond the traditional ideas of a "computer" may need to be legislatively revised to require individual student devices and clearer parameters to determine reasonable levels of Internet subsidies.

# EFFORTS TO MONITOR AND EVALUATE THE VIRTUAL LEARNING PROVIDED BY CYBER SCHOOLS

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## BACKGROUND

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

A cyber school board of directors enters into a management agreement\* with an educational management organization\* (EMO) for the operation of the cyber school. During the 2016-17 school year, 13 cyber schools operated in Michigan, were authorized by 11 entities, and contracted with 9 different EMOs (see Exhibits 1 and 2). Although traditional public schools\* can provide students with opportunities to participate in virtual learning, as described in our performance audit\* report on Virtual Learning in Traditional Public Schools (313-0224-16), the design and intent for cyber schools are to provide students with a full schedule of virtual courses rather than supplementary courses or a means of credit recovery.

State law requires most courses provided in cyber schools to be taught by a Michigan certified teacher who is endorsed in the grade and subject. MDE's Pupil Accounting Manual (PAM) outlines specific requirements for cyber school attendance and participation.

The cyber school day-to-day operations, learning environment, and means in which students and teachers interact are significantly different from the traditional public schools and the brick-and-mortar PSAs. MDE provides guidance to school districts, including cyber schools, and pupil auditors\* for the pupil accounting and pupil membership audit processes through PAM, the Pupil Membership Auditing Manual, and MDE authoritative memorandums. PAM is a legislatively required manual that MDE utilizes to communicate to all school districts the requirements related to supporting the student membership count for funding purposes as well as other requirements imposed on schools.

MDE developed and relies on the pupil membership audit process as one of its primary mechanisms for monitoring school districts' compliance with State laws and MDE policies. The pupil membership audit process includes the verification of teachers' certification and students' enrollment, attendance, and participation in a school and/or courses for each official school year count day\* for a sample of students.

MDE works collaboratively with the Center for Educational Performance and Information (CEPI), Department of Technology, Management, and Budget (DTMB), for the

\* See glossary at end of report for definition.

collection of various school district data required to meet federal or State laws. 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.

Guidance from the U.S. Department of Education indicates that evaluation is important so that educational entities can be confident the programs used in schools are successful and can result in better quality practices being delivered more effectively to enhance student learning. Further, evaluation can provide the information needed to improve the success of programs and to make decisions about whether to continue, expand, or discontinue a program.

For the 2016-17 school year, cyber schools reported to CEPI the enrollment of over 15,000 students in approximately 158,000 virtual courses (see Exhibit 1). Enrollment in cyber schools increased during our audit period by 32% to approximately 17,000 students in the 2018-19 school year (see Exhibit 1). During the 2016-17 school year, cyber schools represented 1.5% of all public school districts operating in Michigan and cyber school students represented less than 1% of all Michigan public school students. Cyber schools enrolled students from nearly all counties of the State (see Exhibit 3).

#### **AUDIT OBJECTIVE**

To assess the effectiveness of MDE's efforts to monitor and evaluate the virtual learning provided by cyber schools.

#### **CONCLUSION**

Moderately effective.

#### **FACTORS IMPACTING CONCLUSION**

- MDE appropriately monitored cyber schools to ensure special education students received the identified special education services prescribed in the students' individualized education plans (IEPs).
- From our review:
  - No cyber school teachers reviewed were in the Michigan Public Sex Offender Registry (PSOR).
  - No cyber school students were identified as being claimed simultaneously in multiple states.

\* See glossary at end of report for definition.

- From our review at 7 selected cyber schools:
  - 88% of cyber school graduates' transcripts reviewed support that the student had met the applicable Michigan Merit Curriculum (MMC) graduation credit requirements.
  - 92% of cyber school students' documentation reviewed supports enrollment was maintained.
  - 71% of cyber school employees' criminal background checks reviewed were completed prior to beginning employment.
  - 92% of the cyber school teachers' certificates reviewed support that the teachers held a valid Michigan teaching certificate.
  - 100% of administrators' certificates reviewed support that the administrators held a valid Michigan administrator certificate.
- Observation related to State laws and administrative rules relevancy and application to cyber schools (Observation 2).
- Reportable condition\* related to developing a more comprehensive evaluation strategy of the cyber school model (Finding 3).
- Material condition related to the monitoring of cyber school student attendance and participation in courses (Finding 2).

\* See glossary at end of report for definition.

## FINDING 2

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**Improvement needed to demonstrate cyber school students' participation in courses and for the school year.**

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MDE did not always ensure that cyber schools sufficiently demonstrated compliance with attendance and participation requirements for students. Cyber student attendance and participation positively impacts student learning outcomes and success.

National academic research indicates a relationship exists between student attendance and student achievement, and students who attend school regularly have been shown to achieve at higher levels than students who do not. The research indicates that poor attendance has serious implications on later outcomes including high school graduation. In addition, participation strongly affects standardized test scores and graduation and dropout rates\*, and attendance is a strong predictor of course performance.

The State School Aid Act indicates that a student's participation in the cyber school's educational program is considered regular daily attendance and shall be considered as membership for calculation of the cyber school's foundation allowance. Pupil auditors conduct semiannual audits of the accuracy of school district membership counts, including cyber school students' participation, to determine whether adjustments are necessary to the school district's foundation allowance. MDE's PAM outlined specific requirements for cyber school student attendance and participation for the 2016-17 school year, including:

- Be enrolled and attend on count day or supplemental count day.
- Participate in all courses.
- Satisfy attendance requirements by one or more of the following:
  - Live lecture attendance.
  - Log-in to access a lesson or activity documented.
  - Conversation documented between the student and teacher.
  - Activity or work documented between the learning coach and student.
  - Completion of an alternate form of attendance agreed upon by the cyber school and pupil auditor.

In addition, State law mandated for the 2016-17 school year that cyber schools make educational services available to students for a minimum of 1,098 hours and ensure that each student participates in the educational program for at least 1,098 hours

\* See glossary at end of report for definition.

during a school year. MDE's school year 2016-17 PAM included this instructional time requirement for cyber schools and prescribed methods for cyber schools to calculate the hours they made educational services available to the students.

We performed on-site reviews at 7 selected cyber schools and examined the cyber school students' participation documentation for 278 students for the 2016-17 school year. We noted:

Cyber schools could not demonstrate that more than half of the students we reviewed had participated in at least one class, or more specifically could not demonstrate the students had participated in 14% and 23% of their courses for the fall and spring count periods.

- a. Cyber schools did not provide documentation to support participation for 145 (52%) of 278 students in one or more of their scheduled courses. Specifically, cyber schools did not support students' participation in 251 (14%) of 1,784 courses and 445 (23%) of 1,910 courses we reviewed for the fall and spring count periods, respectively.

The cyber schools typically provided us with system-generated log-in reports, interaction logs, and/or electronic messages between the student and/or the teacher or mentor to demonstrate the students' participation for each of the designated count periods.

- b. Cyber schools did not maintain sufficient documentation to demonstrate that students met the 1,098-hour participation requirement. We were unable to calculate the total hours of student participation for any of the students in our sample from 5 of the 7 schools because of the lack of availability of log-in data for some schools, the insufficient data captured by the log-in reports, and the lack of documentation supporting the number of hours students worked outside of the academic software. For the 2 cyber schools that provided participation data, the schools' documentation supported that only 56 (35%) of the 158 sampled students had met the 1,098-hour requirement. However, we based our calculation on log-in reports provided by the cyber schools that may not be an accurate reflection of the actual time the students participated.

Cyber schools informed us that their systems did not track the number of hours that students worked outside of the academic software on activities such as reading, writing, and completing assignments. One cyber school indicated that cyber school students, depending on grade level, may only work on the computer between 15% and 30% of the time. Students in a virtual environment may work at different paces, and one of the advantages of a virtual learning environment is the flexibility of class schedules.

MDE's school year 2016-17 PAM did not include a requirement for cyber schools to track or document student participation for the purposes of ensuring compliance with the 1,098-hour statutory participation requirement.

In 2018, State law revised the 1,098-hour participation mandate to require that a cyber school track a pupil's participation through attendance in the educational program offered by the cyber school for the proportionate number of instructional hours from the date of enrollment of the pupil. MDE revised its PAM for the 2019-20 school year to include a requirement for cyber schools to have a method to track students' participation hours and to provide the pupil auditors with documentation of the tracking method and a sample report for review. However, the revised PAM stated that a pupil's membership shall not be reduced based on the number of instructional hours captured in the participation record. MDE indicated that it would be difficult to audit the 1,098-hour participation requirement and cited some of the same challenges expressed by the cyber schools.

MDE did not have a process to capture student attendance and participation information beyond the pupil membership audit process, the primary purpose of which is to verify the accuracy of the counts the schools reported for payment of State aid.

We consider this finding to be a material condition because of the exception rates and the importance of student attendance and participation in student achievement.

## **RECOMMENDATION**

We recommend that MDE ensure that cyber schools sufficiently demonstrate compliance with attendance and participation requirements for students.

## **AGENCY PRELIMINARY RESPONSE**

MDE provided us with the following response:

*MDE agrees with the finding and has strengthened guidance given to districts and intermediate school districts, especially in the Pupil Accounting Manual and Pupil Membership Auditing Manual since the audit period to demonstrate compliance with attendance and participate requirements for cyber school students.*

### FINDING 3

**A more comprehensive strategy needed to evaluate the quality and effectiveness of virtual learning provided by the cyber school model.**

MDE has opportunities to leverage existing information and data to help evaluate the quality and effectiveness of the cyber school model.

MDE stopped the collection of certain student-level data required by State law, and 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 should develop a more comprehensive strategy to evaluate the quality and effectiveness of virtual learning provided by the cyber school model. Doing so would help MDE demonstrate that it meets its overall mission\* to support learning and learners and better inform the State Board of Education, the Legislature, school districts, and the public regarding the overall effectiveness of the cyber school model of learning in Michigan. It would also help MDE continue to refine and establish policies and guidance that support cyber students and help ensure positive outcomes.

MDE's evaluation efforts focused primarily on individual cyber schools and did not compare the outcomes of cyber schools to traditional learning models or reach broader conclusions concerning the cyber school model. We identified several additional opportunities for MDE to leverage existing information and data to improve its efforts. For example, MDE could:

- Evaluate Statewide trends in cyber school course enrollments, pass rates, and student performance and assess the overall impact of cyber school courses on K-12 pupils.
- Utilize data included in the Michigan School Performance Index\* to help compare cyber school and non-cyber school learners' performance.
- Obtain, validate, and analyze CEPI cyber school course, student, and teacher data to evaluate course completion and graduation data for cyber school learners (see Exhibit 4).
- Obtain cyber student participation data and correlate it with student performance data from CEPI to determine the impact participation has on student performance and grade progression.
- Obtain legislatively required reports from cyber school authorizers summarizing statistics regarding student participation and academic performance and any recommendations for statutory or rule changes related to cyber schools and online learning in the State. MDE received these reports from the authorizers in 2012 for the first two cyber schools opened in Michigan in 2010 and did not receive the reports from the authorizers for the 8 cyber schools established between 2013 and 2016.

Effective March 29, 2019, Section 380.1280g of the *Michigan Compiled Laws* requires MDE to develop an additional Statewide

\* See glossary at end of report for definition.

system of accountability measurement. MDE measures performance in schools with indicators such as pupil growth, graduation, and applicable State assessments and gives a letter grade of A through F for each indicator. MDE could also leverage these results in a broader evaluation strategy to assess the quality and effectiveness of virtual learning provided by the cyber school model.

In our August 2020 performance audit of Virtual Learning in Traditional Public Schools, we reported a similar condition concerning MDE's strategy to evaluate the quality and effectiveness of virtual learning provided by traditional public schools (313-0224-16, Finding 1). MDE's February 2021 corrective action plan indicated that it agreed with the finding and indicated that it will suggest user-friendly, effective evaluation tools to districts and leverage partnerships to evaluate the quality and effectiveness of virtual learning provided by traditional public schools. However, MDE indicated it does not have resources available to complete an additional high-quality study of virtual learning.

We also reported that MDE stopped the collection of certain student-level data in CEPI 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 (313-0224-16, Finding 2). MDE's February 2021 corrective action plan indicated that the Department of Attorney General agreed with the OAG's interpretation of the State law. MDE agreed with the finding and, in collaboration with CEPI, planned to begin collecting the requisite student-level data before the spring submission period in 2021. MDE also indicated that it planned to seek a legislative change regarding those requirements.

## **RECOMMENDATION**

We recommend that MDE develop a more comprehensive strategy to evaluate the quality and effectiveness of virtual learning provided by the cyber school model.

## **AGENCY PRELIMINARY RESPONSE**

MDE provided us with the following response:

*MDE partially agrees with the finding. The iNACOL/Aurora Self-Evaluation tool is successful in evaluating new, and renewing, charter cyber schools' programs and platform of past academic success prior to the issuance of a school code. Cyber schools are required to provide evidence of a successful online delivery model to the department in addition to being subject to the laws and regulations in place for local education agencies. MDE acknowledges the value of a high-quality study or comparison of online instructional delivery and will advocate for the requisite resources with the Legislature to contract out for such a study.*

*MDE does not have the authority to conduct audits of local school curriculum beyond verification that the cyber school is*

*implementing an approved platform, nor can MDE determine the impact on student success of the approved instructional platform as compared to traditional delivery methods.*

*MDE can begin a process to inform authorizers of a determination that the Office of Auditor General has interpreted existing legislation in a manner that will require authorizers to provide the legislative reports on the success of the cyber school after two years of operation. MDE will create a document that will outline the required information that authorizers will include in the legislative reports on the success of the cyber school, summarizing statistics regarding student participation and academic performance, and any recommendations for statutory or rule changes related to cyber schools and online learning in the state.*

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

Guidance from the U.S. Department of Education indicates that evaluation is important so that educational entities can be confident the programs used in schools are successful and can result in better quality practices being delivered more effectively to enhance student learning. MDE's statements about its authority to audit local school curriculum and determine the impact on student success represent another opportunity for MDE to seek legislative clarification and/or Attorney General opinion regarding its authority. Therefore, the finding stands as written.

MDE states it will inform authorizers the OAG's interpretation of cyber school legislation will require authorizers to provide statutorily required reports. Section 380.553a(5) of the *Michigan Compiled Law* states:

At the end of a cyber school's second complete school year of operations, the authorizing body of a school of excellence that is a cyber school shall submit to the superintendent of public instruction and the legislature, in the form and manner prescribed by the superintendent of public instruction, a report detailing the operation of the cyber school, providing statistics of pupil participation and academic performance, and making recommendations for any further statutory or rule change related to cyber schools and online learning in this state.

There is no provision in the statute that would have granted any type of waiver to the authorizers from this reporting requirement who opened 8 cyber schools between 2013 and 2016. Therefore, the finding stands as written.

## OBSERVATION 2

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**Clarification to State laws and administrative rules may help ensure cyber school operations meet the intent of the Legislature.**

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State laws and administrative rules create requirements for all Michigan school districts, although some requirements may not be relevant to cyber schools or may require processes that are counterintuitive to the cyber school operations. Certain State laws may be unclear or seem conflicting and do not always appear to consider cyber schools as a type of PSA that provides 100% of students' instruction through online learning and would not need to be physically located within geographic boundaries of a school district to be able to operate and enroll students.

We noted:

- Sections 380.1230 and 380.1230a of the *Michigan Compiled Laws* require school districts, including cyber schools, to obtain a criminal history and criminal records check that includes fingerprints through the Michigan State Police Criminal History Record System and the Federal Bureau of Investigation (FBI), performed by the Michigan Department of State Police (MSP), for individuals who work regularly or continuously under contract or are employed by the school districts. The Sections do not provide for a waiver or address those employees who reside outside of Michigan.

The apparent lack of clarity regarding the definition of "at school" in the legislation because it does not specifically address the virtual learning environment appeared to be the reason one cyber school we visited did not request criminal record checks, including fingerprints, for 5 out-of-state employees who worked as mentors with students during the 2016-17 school year.

MDE informed us it believes all cyber school teachers and mentors should have criminal background checks conducted. MDE is currently participating in a workgroup with other entities to identify clarifications and revisions needed specific to the background check requirements.

- Section 380.502(9)(a) of the *Michigan Compiled Laws* was enacted in 2016 and restricted the power of authorizers to issue a contract for a PSA to be located within a community district\* unless the authorizer was accredited as an authorizing body by a nationally recognized accreditation body. However, Section 380.552(2) of the *Michigan Compiled Laws* was created in 2010 and established the requirement for cyber schools to offer enrollment to all students in the State. These Sections appear to be in conflict.

Three non-accredited authorizers enrolled 467 students from a community district. At the time of our audit, Detroit Public Schools Community District was the only school district that met the definition of a community district.

\* See glossary at end of report for definition.

- Section 380.552(1)(c) of the *Michigan Compiled Laws* prohibits a school of excellence, which includes cyber schools, from being in a school district that has a graduation rate\* of over 75%, on average, for the most recent 3 school years for which data is available, as determined by MDE. This Section appears in conflict with Section 380.552(2) of the *Michigan Compiled Laws* which required cyber schools to enroll students Statewide.
- *Michigan Administrative Code* R 340.1(d) defines registering as the act of appearing in person at the school with intent to attend the school. The Rule does not differentiate between registering for a traditional public school, a PSA, or a cyber school.

We noted all 7 (100%) of the cyber schools conducted online registration and did not require students to appear in person. We noted several instances when the readability of the electronic documentation maintained to support enrollment, such as birth certificates, applications, and address verification, was poor and in some cases unreadable. In addition, 4 (57%) of the visited cyber schools indicated they utilized their management company's centralized registration process in place for all schools the management company operated.

In-person enrollment affords cyber schools the opportunity to observe the welfare of the students and to help potentially identify special education needs a student may have that may not be identifiable through electronic communication. However, in-person enrollment may create logistical challenges for students when trying to enroll in cyber schools because of the physical distance between a student and the cyber school administrative building.

- Section 380.553a of the *Michigan Compiled Laws* requires cyber schools to make educational services available to students for a minimum of at least 1,098 hours and the cyber school shall track a pupil's participation through attendance in the educational program for the proportionate number of instructional hours from the date of enrollment of the student. For example, if a student enrolled at the beginning of the second semester, the proportionate number of instructional hours would be 549 hours or half of the school year.

The Legislature appears to have designed statutory participation requirements to ensure that cyber schools provide students with an equivalent number of hours and cyber school students complete the same number of hours as students in traditional public schools and PSAs.

\* See glossary at end of report for definition.

As noted in Finding 2, cyber schools and MDE expressed difficulties in capturing the necessary data to measure against this requirement and MDE does not use instructional hours captured in participation records to verify the accuracy of the schools' State aid payments. In addition, research and industry information indicates that students can work through material at their own pace, some at an accelerated pace, not requiring the same hours of participation as other students.

This represents an opportunity for MDE to seek clarifications where necessary and revisions where potentially conflicting legislation exists. Also, an opportunity may exist for MDE to seek changes to legislation where current requirements may not be relevant or measurable in a virtual learning environment.

# PROCESS TO ENSURE THAT CONTRACTS ESTABLISHING CYBER SCHOOLS MEET STATUTORY REQUIREMENTS

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## BACKGROUND

MDE's PSA Unit is primarily responsible for the contract review process that supports the SOPI approval of cyber school contracts between an authorizer and the cyber school's board of directors. The PSA Unit utilized an optional consolidated public school contract checklist (checklist) as part of its process for ensuring that the contracts contained statutorily required components. A cyber school authorizer initially completes the checklist, and the PSA Unit verifies the completeness of the contract by reviewing the checklist for inclusion of the statutory required elements within the contract.

State law requires:

- The SOPI approve the issuance of an authorizer's contract for a cyber school.
- Entities applying for a new cyber school contract demonstrate to an authorizer their experience in delivering a quality education program that improves pupil academic achievement. In determining whether entities meet this requirement, an authorizer shall refer to the standards for quality online learning established by the National Association of Charter School Authorizers or other similar nationally recognized standards for quality online learning.
- Cyber school contracts to contain educational goals for the schools to achieve and shall, at a minimum, include a goal that the cyber school will demonstrate improved student academic achievement.

In 2017, MDE's PSA Unit established procedures to verify that entities applying to operate a new cyber school self-evaluated their educational programs and demonstrated the requisite experience prior to the SOPI approving the cyber school contracts.

State law does not require the SOPI's approval of the contracts between a cyber school board of directors and the entity chosen as the educational management organization to operate the cyber school.

## AUDIT OBJECTIVE

To assess the sufficiency of MDE's process to ensure that contracts establishing cyber schools meet statutory requirements.

## CONCLUSION

Sufficient.

**FACTORS  
IMPACTING  
CONCLUSION**

- 100% of statutory requirements contained on MDE's contract checklist were included in 9 selected contracts between cyber schools and their authorizers.
- 97% of statutory contractual requirements reviewed were included within 9 selected cyber school contracts with their authorizers.
- 87% of statutory contractual and application requirements reviewed were contained on MDE's contract checklist utilized for its review.

# COMPILE INFORMATION ON THE STATE'S FUNDING OF CYBER SCHOOLS AND THEIR REPORTED COSTS

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## BACKGROUND

State laws require all public schools in Michigan, including cyber schools, to make available to the public certain financial related information such as its annual budget, expenditure data including specific information related to personnel expenditures, and a link to the most recently completed audit report. State law requires that EMOs furnish the cyber school board of directors, at least annually, with all of the same transparency information schools are required to publish.

MDE requires public schools, including cyber schools, to report expenditure detail for services purchased from an EMO when the purchases are equal to or are greater than 50% of the school's general fund current operating expenditures. State law requires all schools to have an audit of the financial accounting records at least annually for the purposes of determining the reasonableness of expenditures; however, State law does not require EMOs be audited or that EMOs share their audit reports with the public and MDE.

The Michigan Public School Accounting Manual Bulletin No. 1022 serves as the mandatory guide to the uniform classification and recording of accounting transactions for all Michigan schools. The Manual had its last major revision in 2004, prior to the creation of cyber schools, and provides a standard framework for reporting financial data to the State. The standardized chart of accounts includes expenditure categories for capturing the cost of purchased services\*, which is the primary type of expenditure cyber schools incur. The EMO's records capture the actual cost detail rather than the cyber school's accounting records.

During the 2016-17 school year, cyber schools received slightly more than \$83.0 million in funding from State sources.

## AUDIT OBJECTIVE

To compile information on the State's funding of cyber schools and their reported costs.

## CONCLUSION

Compiled.

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

**FACTORS  
IMPACTING  
CONCLUSION**

- Observation regarding the need to enhance financial reporting requirements for cyber schools and their EMOs (Observation 3).
- Exhibits 5 and 6 present summary financial data for cyber schools in comparison to traditional public schools and PSAs.

### **OBSERVATION 3**

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**Enhanced financial reporting requirements for cyber schools and their EMOs could improve transparency, accountability, and consistency with traditional public schools.**

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State law requires any entity receiving State school aid money to submit transparency and operating expenditure reports. At least annually, an EMO is required to provide a cyber school's board of directors with the same basic financial and transparency information that traditional public schools disclose to allow the cyber school to publish it on the school's Web site.

Reporting requirements do not differentiate between type of school, even though significant differences exist in the day-to-day operational practices of traditional public schools and PSAs. PSAs utilize and pay for EMOs to provide the administrative and management functions for the school in comparison with traditional public schools that perform those functions and reflect the costs in the school district's financial records.

We reviewed cyber school contracts with EMOs, transparency reporting information on school Web sites, and applicable State law and MDE processes. Also, we reviewed and analyzed the cyber schools' audited financial statements for the 2016-17 school year. We noted:

- State law did not require EMOs to submit audited financial statements that could provide important financial information regarding the entity's operations and verify the cost of the purchased services.

Audited financial statements would provide MDE with the ability to verify information contained on the EMO's transparency reports. In addition, they would allow the Legislature, citizens of Michigan, and other stakeholders to determine more specifically how cyber schools are spending State aid funding.

- Cyber schools classified approximately 85% of their expenditures as purchased services. Contracts often contained language that required the school to make all school purchases, including instruction, supplies, and materials, from the EMO; consequently, cyber schools reported them as purchased services in their financial reporting with no additional detail.

As a result, cyber schools' financial reports may not reflect the actual cost of required purchases because the EMO's operating expenditure records contain the actual detailed expenditure costs for the purchase of supplies and materials and for staff wages. We identified several instances where the unverifiable, self-reported EMO operating expenditures were less than the amount of the cyber school's reported cost of purchased services.

- Contracts often included a clause that the EMO would assume risk by paying all operational expenses, and in exchange, the EMO could retain the excess per pupil funding.

However, the EMOs' financial reports did not disclose the amount of excess revenue EMOs retained after paying their cyber schools' operational costs. This excess revenue retention is in addition to the management fee defined in their contract and included within expenses of the cyber school. In addition, the EMO's revenue received from the cyber school is not reported within the transparency reports.

The expansion of requirements for the collection of audited financial statements, more detailed financial reports, and data from cyber school EMOs would work to promote public disclosure and transparency because these entities are effectively functioning as a publicly funded school district. Traditional public schools do not utilize an outside management company and their financial records more clearly reflect the actual costs of operations and revenue.

Enhanced transparency requirements for cyber schools and their EMOs could allow MDE to collect more information that could be used to assist the Legislature in making informed decisions related to the per pupil foundation allowance needed for cyber schools to operate effectively. In addition, the PSA Unit could use the improved financial data, including the amount of revenue being recognized by the EMOs, during its review of the authorizers' monitoring efforts. The discussions could assist the authorizers in evaluating their contracts with EMOs to ensure that State aid is being used in the most efficient manner to achieve student success.

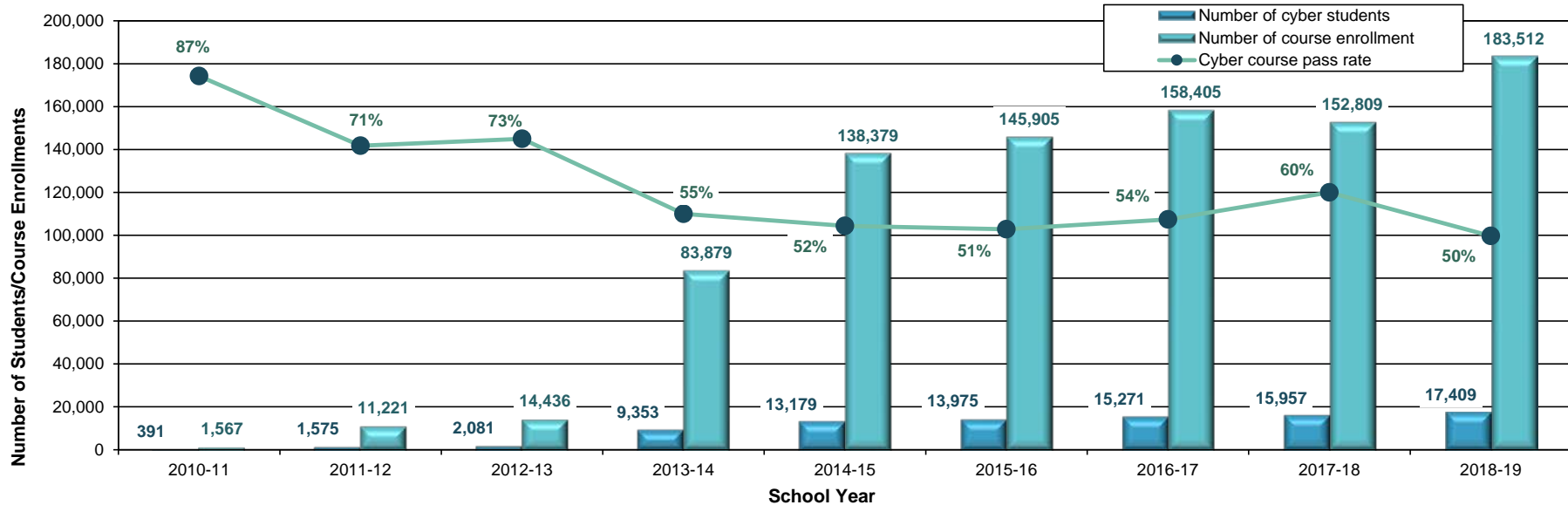
This represents an opportunity for enhanced financial reporting requirements for cyber schools and their EMOs regarding the use of State aid funding that could help improve transparency, accountability, and consistency with traditional public schools.



## SUPPLEMENTAL INFORMATION

**VIRTUAL LEARNING IN CYBER SCHOOLS**  
Michigan Department of Education

Total Cyber School Students, Course Enrollments, and Pass Rates  
As of June 30, 2019



2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
<b>09/07/2010</b> <ul style="list-style-type: none"> <li>Michigan Virtual Charter Academy (MVCA)</li> <li>Michigan Connections Academy (MICA)</li> </ul>			<b>07/01/2013</b> <ul style="list-style-type: none"> <li>Michigan Great Lakes Virtual Academy (MGLVA)</li> <li>Great Lakes Cyber Academy (GLCA)</li> <li>LifeTech Academy (LifeTech)</li> <li>iCademy Global (iCademy)</li> <li>Mackinac Preparatory Academy<sup>1</sup></li> </ul>	<b>07/01/2014</b> <ul style="list-style-type: none"> <li>Insight School of Michigan (Insight)</li> <li>WAY Michigan (WAY)</li> </ul> <b>09/25/2014</b> <ul style="list-style-type: none"> <li>Regents Academy (Regents)<sup>2</sup></li> </ul>		<b>07/01/2016</b> <ul style="list-style-type: none"> <li>Highpoint Virtual Academy of Michigan (HVAM)</li> <li>The Paris Academy (Paris)<sup>2</sup></li> <li>Livingston Classical Academy<sup>3</sup></li> </ul> <b>12/01/2016</b> <ul style="list-style-type: none"> <li>Success Virtual Learning Centers of Michigan (SVLC)</li> </ul>	<b>07/01/2017</b> <ul style="list-style-type: none"> <li>Michigan International Prep School (MIPS)</li> </ul> <b>01/02/2018</b> <ul style="list-style-type: none"> <li>Michigan Online School (MOS)</li> </ul>	<b>07/01/2018</b> <ul style="list-style-type: none"> <li>Uplift Michigan Academy (Uplift)</li> <li>Lighthouse Connections Academy (Lighthouse)</li> </ul>

<sup>1</sup> Academy closed June 30, 2016 by its authorizer.

<sup>2</sup> Schools closed June 2018 by their authorizers.

<sup>3</sup> Academy did not report virtual courses for 2016-17 school year; therefore, we did not include school's data in our review or exhibits.

Source: The OAG created this exhibit using MDE data reported to CEPI on virtual courses reported by cyber schools and MDE data on cyber school opening and closings.

VIRTUAL LEARNING IN CYBER SCHOOLS  
Michigan Department of Education

Cyber School Information

**Great Lakes Cyber Academy<sup>1</sup>**  
**School Year 2016-17**

**Information About Great Lakes Cyber Academy**

**Location of academy:** Ingham County  
**Management company:** Connections Education  
**Authorizing body:** Central Michigan University  
**Entity physical city:** East Lansing  
**Entity open date:** July 1, 2013  
**Entity close date:** Not applicable  
**Grades authorized to serve:** 6 - 12  
**Student teacher ratio:** 41:1\*  
**Number of students in fall:** 909.8\*  
**4-year graduation rate:** 48.3%\*  
**4-year dropout rate:** 27.3%\*




**Student Population**

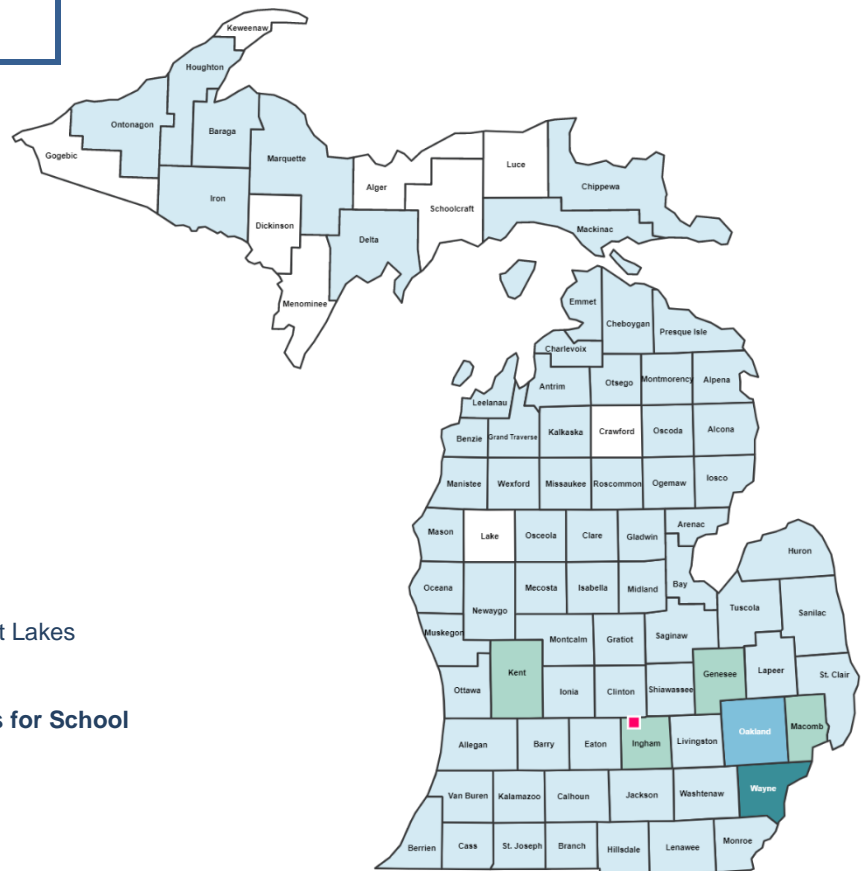
**Student population:** 1,054

**Top five counties served and student population:**

Wayne County	239
Oakland County	107
Macomb County	94
Ingham County	70
Kent County	62

**Number of Students**

	300 and over
	200 to 299
	100 to 199
	51 to 99
	1 to 50
	0
	Entity physical city



<sup>1</sup> In 2020, the school name was changed to Great Lakes Learning Academy.

\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.

*This exhibit continued on next page.*

## Highpoint Virtual Academy of Michigan School Year 2016-17

### Information About Highpoint Virtual Academy of Michigan

**Location of academy:** Wexford County  
**Management company:** K12  
**Authorizing body:** Mesick Consolidated Schools  
**Entity physical city:** Mesick  
**Entity open date:** July 1, 2016  
**Entity close date:** Not applicable  
**Grades authorized to serve:** K - 12  
**Student teacher ratio:** 34:1\*  
**Number of students in fall:** 237.7\*  
**4-year graduation rate:** Only had students in K – 8\*  
**4-year dropout rate:** Only had students in K – 8\*

### Student Population

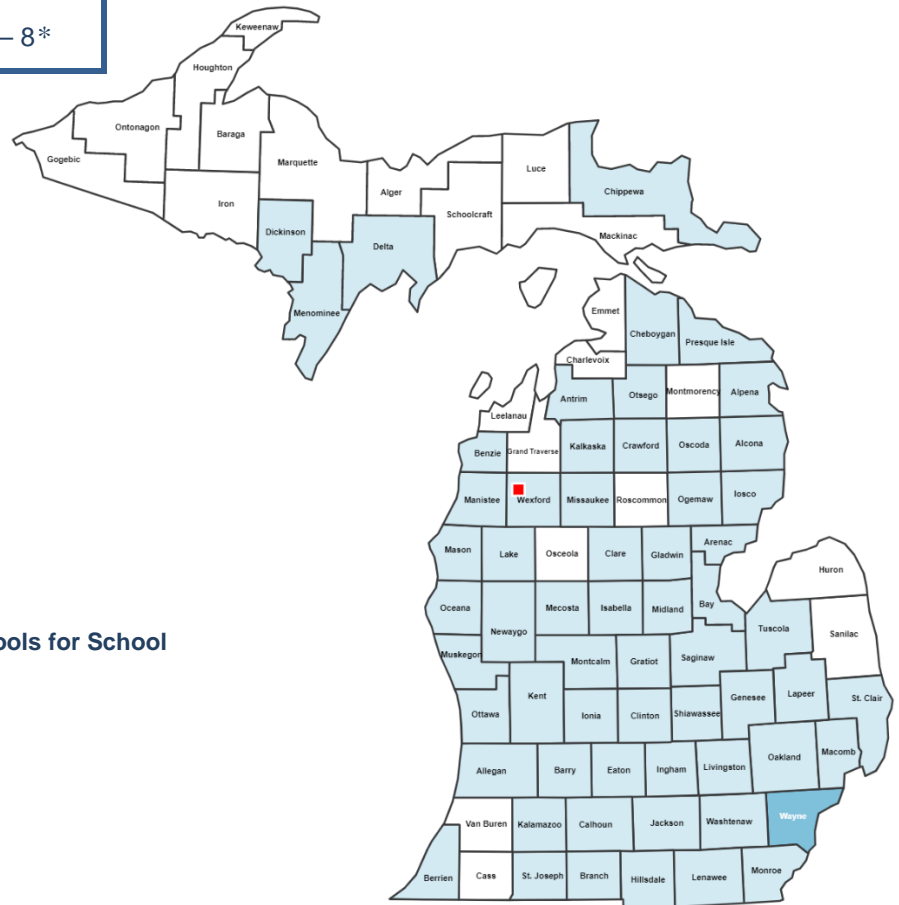
**Student population:** 490

#### Top five counties served and student population:

Wayne County	142
Oakland County	33
Kent County	29
Macomb County	28
Genesee County	27

### Number of Students

300 and over
200 to 299
100 to 199
51 to 99
1 to 50
0
Entity physical city



\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.

*This exhibit continued on next page.*

iCademy Global  
School Year 2016-17

Information About iCademy Global

**Location of academy:** Ottawa County  
**Management company:** Innovative Educational Services  
**Authorizing body:** Lake Superior State University  
**Entity physical city:** Zeeland  
**Entity open date:** July 1, 2013  
**Entity close date:** Not applicable  
**Grades authorized to serve:** K - 12  
**Student teacher ratio:** 22:1\*  
**Number of students in fall:** 188.2\*  
**4-year graduation rate:** 37.8%\*  
**4-year dropout rate:** 51.4%\*

Student Population

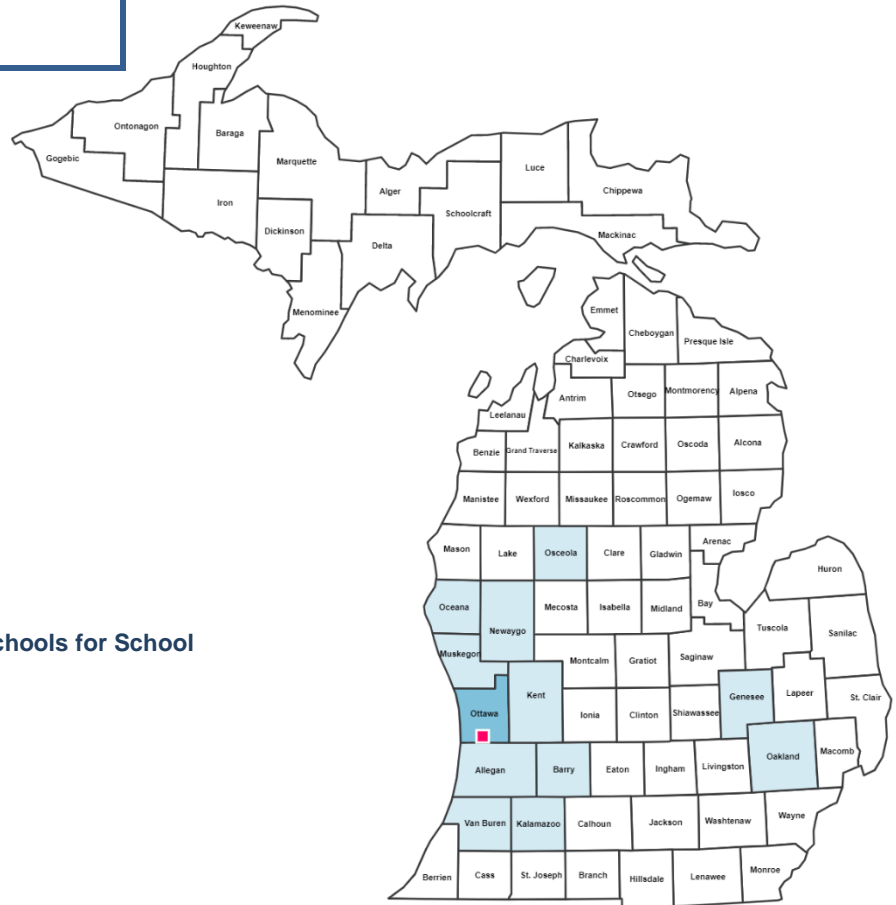
**Student population:** 229

**Top six counties served and student population:**

Ottawa County	164
Kent County	28
Allegan County	15
Barry County	5
Muskegon County	5
Oceana County	5

Number of Students

300 and over
200 to 299
100 to 199
51 to 99
1 to 50
0
Entity physical city



\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.

This exhibit continued on next page.

Insight School of Michigan  
School Year 2016-17

Information About Insight School of Michigan

**Location of academy:** Eaton County  
**Management company:** K12  
**Authorizing body:** Central Michigan University  
**Entity physical city:** Lansing  
**Entity open date:** July 1, 2014  
**Entity close date:** Not applicable  
**Grades authorized to serve:** 9 - 12  
**Student teacher ratio:** 42:1\*  
**Number of students in fall:** 787.3\*  
**4-year graduation rate:** 25.5%\*  
**4-year dropout rate:** 47.0%\*

Student Population

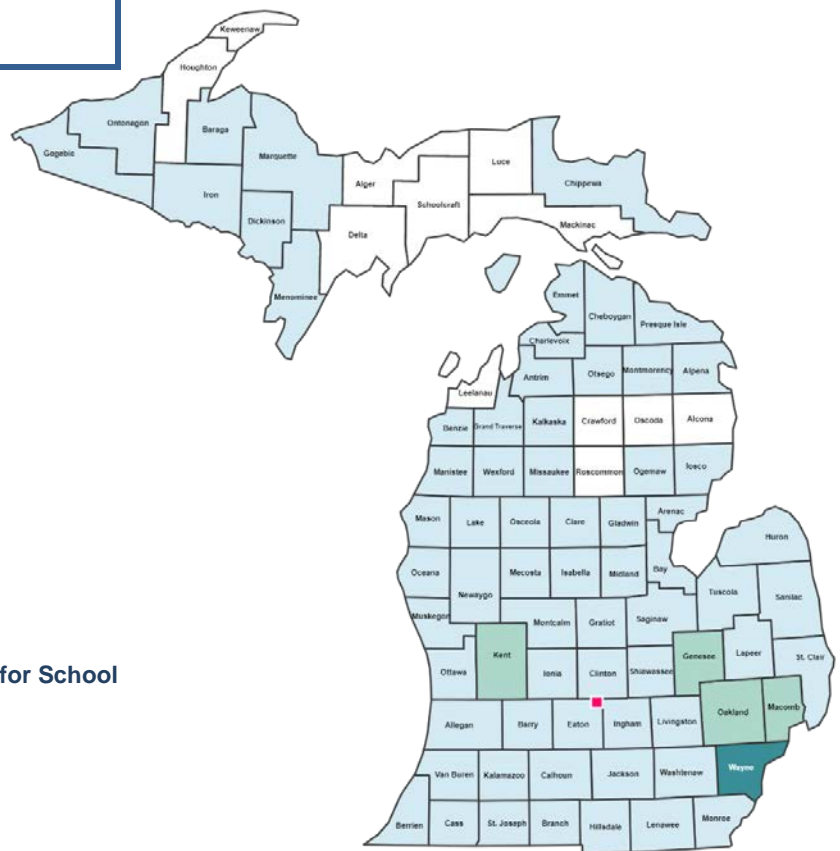
**Student population:** 957

**Top five counties served and student population:**

Wayne County	208
Macomb County	90
Genesee County	69
Oakland County	55
Kent County	54

Number of Students

300 and over
200 to 299
100 to 199
51 to 99
1 to 50
0
Entity physical city



\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.

This exhibit continued on next page.

LifeTech Academy  
School Year 2016-17

Information About LifeTech Academy

**Location of academy:** Ingham County  
**Management company:** Engaged Education  
**Authorizing body:** Eaton Rapids Public Schools  
**Entity physical city:** Lansing  
**Entity open date:** July 1, 2013  
**Entity close date:** Not applicable  
**Grades authorized to serve:** K - 12  
**Student teacher ratio:** 51:1\*  
**Number of students in fall:** 204.6\*  
**4-year graduation rate:** 23.4%\*  
**4-year dropout rate:** 34.0%\*

Student Population

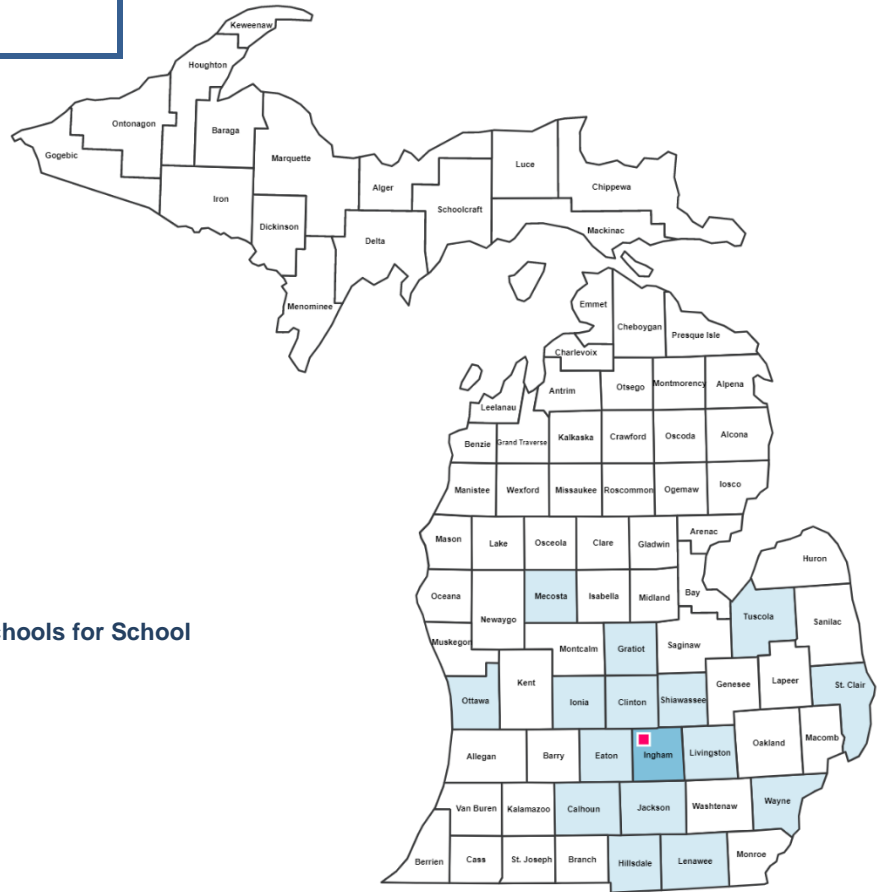
**Student population:** 247

**Top five counties served and student population:**

Ingham County	115
Lenawee County	44
Eaton County	34
Clinton County	30
Jackson County	8

Number of Students

300 and over
200 to 299
100 to 199
51 to 99
1 to 50
0
Entity physical city



\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.

*This exhibit continued on next page.*

## Michigan Connections Academy School Year 2016-17

### Information About Michigan Connections Academy

**Location of academy:** Ingham County  
**Management company:** Connections Education  
**Authorizing body:** Ferris State University  
**Entity physical city:** Okemos  
**Entity open date:** September 7, 2010  
**Entity close date:** Not applicable  
**Grades authorized to serve:** K - 12  
**Student teacher ratio:** 32:1\*  
**Number of students in fall:** 1,671.7\*  
**4-year graduation rate:** 63.1%\*  
**4-year dropout rate:** 16.9%\*

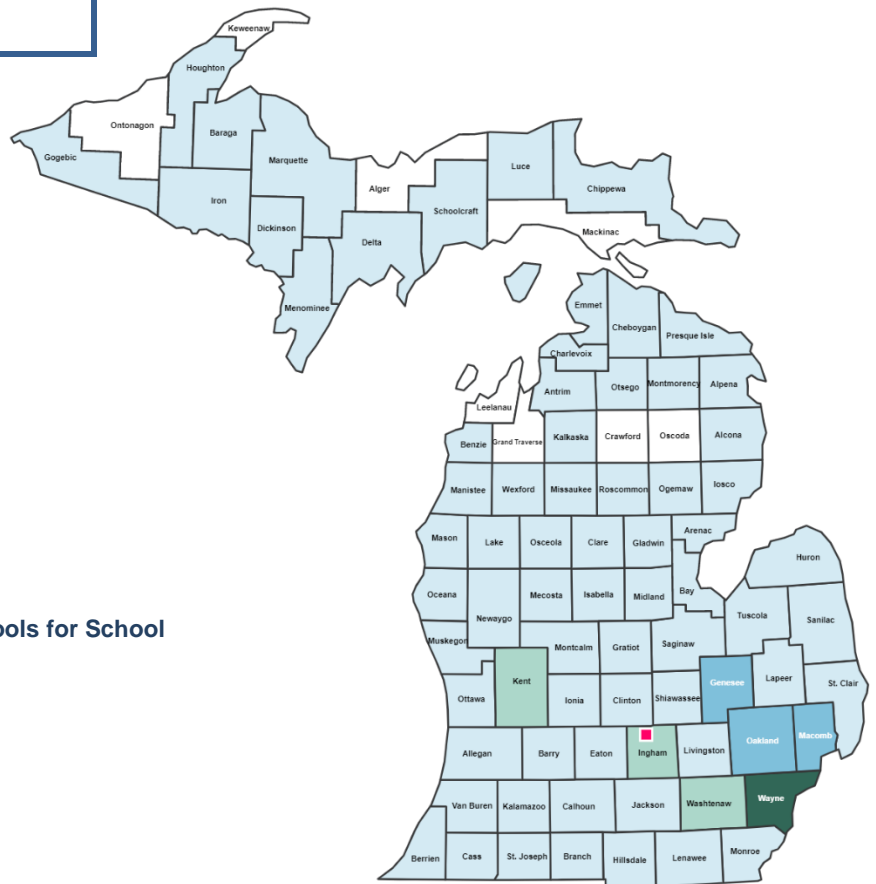
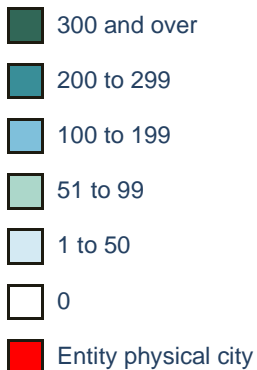
### Student Population

**Student population:** 1,858

**Top five counties served and student population:**

Wayne County	419
Oakland County	191
Macomb County	128
Genesee County	108
Ingham County	88

### Number of Students



\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.

*This exhibit continued on next page.*

## Michigan Great Lakes Virtual Academy School Year 2016-17

### Information About Michigan Great Lakes Virtual Academy

**Location of academy:** Manistee County  
**Management company:** K12  
**Authorizing body:** Manistee Area Public Schools  
**Entity physical city:** Manistee  
**Entity open date:** July 1, 2013  
**Entity close date:** Not applicable  
**Grades authorized to serve:** K - 12  
**Student teacher ratio:** 36:1\*  
**Number of students in fall:** 2,693.2\*  
**4-year graduation rate:** 29.1%\*  
**4-year dropout rate:** 49.3%\*






### Student Population

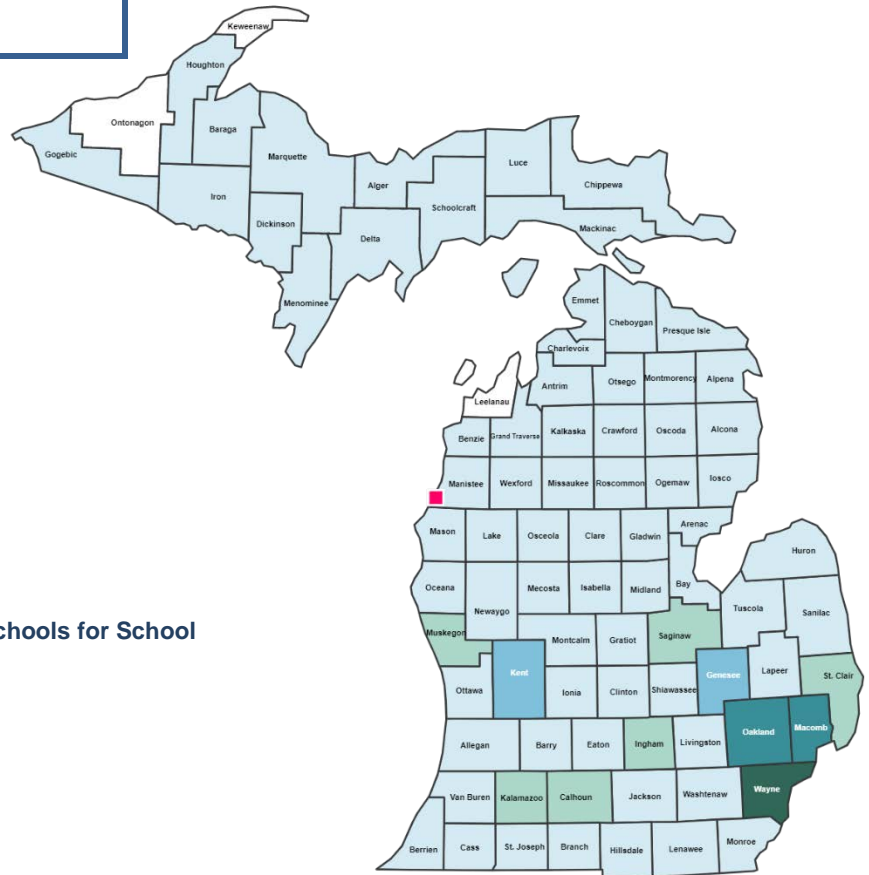
**Student population:** 3,078

**Top five counties served and student population:**

Wayne County	707
Macomb County	266
Oakland County	225
Genesee County	182
Kent County	117

### Number of Students

	300 and over
	200 to 299
	100 to 199
	51 to 99
	1 to 50
	0
	Entity physical city



\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.

*This exhibit continued on next page.*

## Michigan Virtual Charter Academy School Year 2016-17

### Information About Michigan Virtual Charter Academy

**Location of academy:** Kent County<sup>1</sup>  
**Management company:** K12  
**Authorizing body:** Grand Valley State University<sup>1</sup>  
**Entity physical city:** Grand Rapids<sup>1</sup>  
**Entity open date:** September 7, 2010  
**Entity close date:** Not applicable  
**Grades authorized to serve:** K - 12  
**Student teacher ratio:** 34:1\*  
**Number of students in fall:** 2,821.0\*  
**4-year graduation rate:** 29.2%\*  
**4-year dropout rate:** 52.1%\*

### Student Population

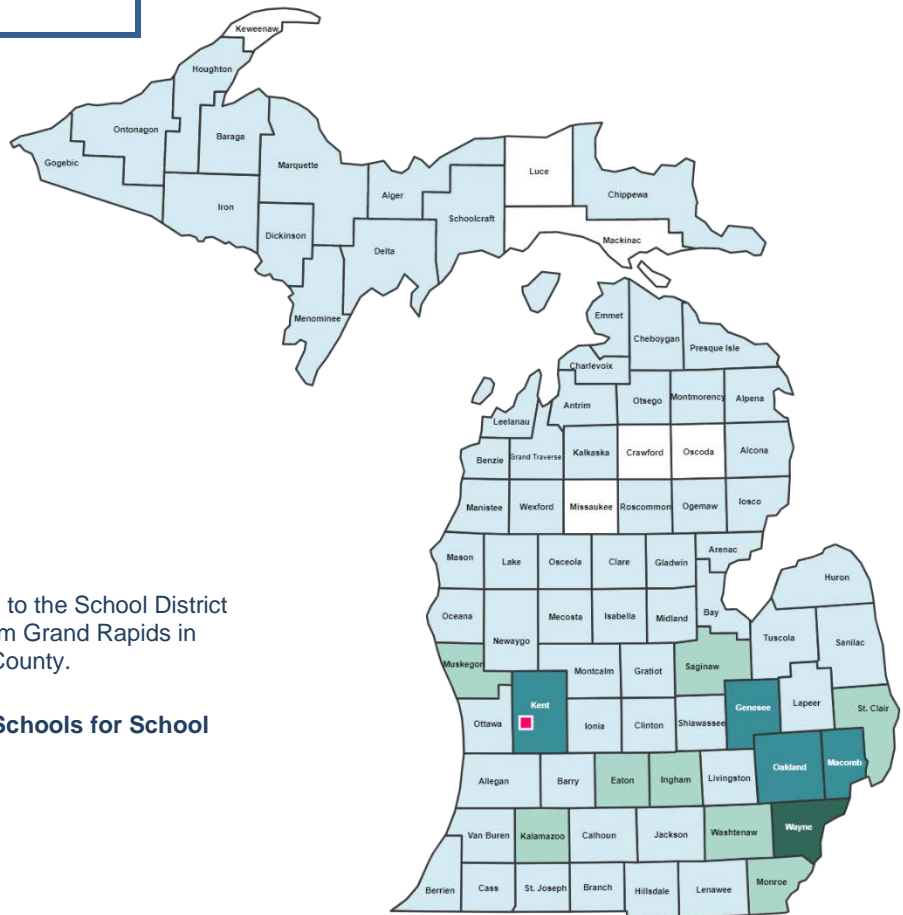
**Student population:** 3,318

**Top five counties served and student population:**

Wayne County	814
Oakland County	244
Macomb County	243
Genesee County	226
Kent County	207

### Number of Students

300 and over
200 to 299
100 to 199
51 to 99
1 to 50
0
Entity physical city



<sup>1</sup> In 2019, the school changed authorizers to the School District of the City of Hazel Park and moved from Grand Rapids in Kent County to Hazel Park in Oakland County.

\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.

*This exhibit continued on next page.*

Regents Academy  
School Year 2016-17

Information About Regents Academy

**Location of academy:** Wayne County  
**Management company:** Global Alliance Collaborative Group  
**Authorizing body:** Redford Union Schools, District No. 1  
**Entity physical city:** Redford  
**Entity open date:** September 25, 2014  
**Entity close date:** June 30, 2018  
**Grades authorized to serve:** K - 12  
**Student teacher ratio:** 177:1\*  
**Number of students in fall:** 300.8\*  
**4-year graduation rate:** 11.7%\*  
**4-year dropout rate:** 45.1%\*

Student Population

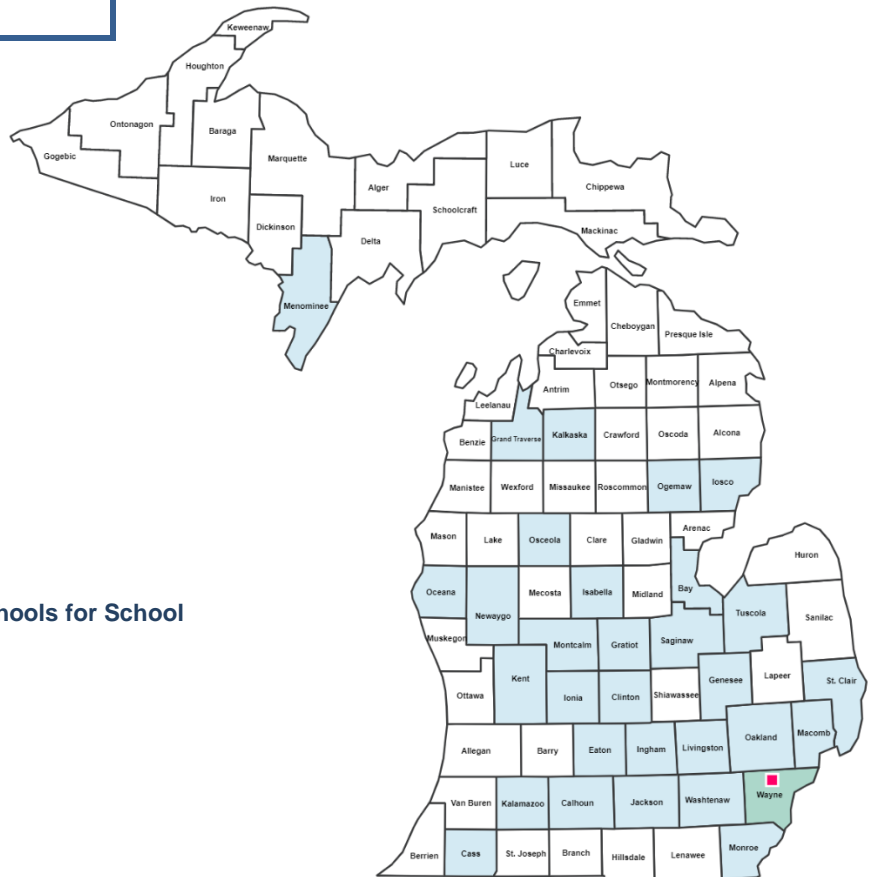
**Student population:** 392

**Top five counties served and student population:**

Wayne County	87
Montcalm County	49
Saginaw County	49
Ingham County	36
Macomb County	30

Number of Students

300 and over
200 to 299
100 to 199
51 to 99
1 to 50
0
Entity physical city



\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.

This exhibit continued on next page.

## Success Virtual Learning Centers of Michigan School Year 2016-17

### Information About Success Virtual Learning Centers of Michigan

**Location of academy:** Montcalm County  
**Management company:** Success Management Systems  
**Authorizing body:** Vestaburg Community Schools  
**Entity physical city:** Vestaburg  
**Entity open date:** December 1, 2016  
**Entity close date:** Not applicable  
**Grades authorized to serve:** 9 - 12  
**Student teacher ratio:** Data not available\*  
**Number of students in fall:** Data not available\*  
**4-year graduation rate:** Data not available\*  
**4-year dropout rate:** Data not available\*

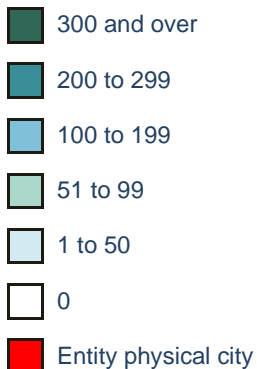
### Student Population

**Student population:** 45

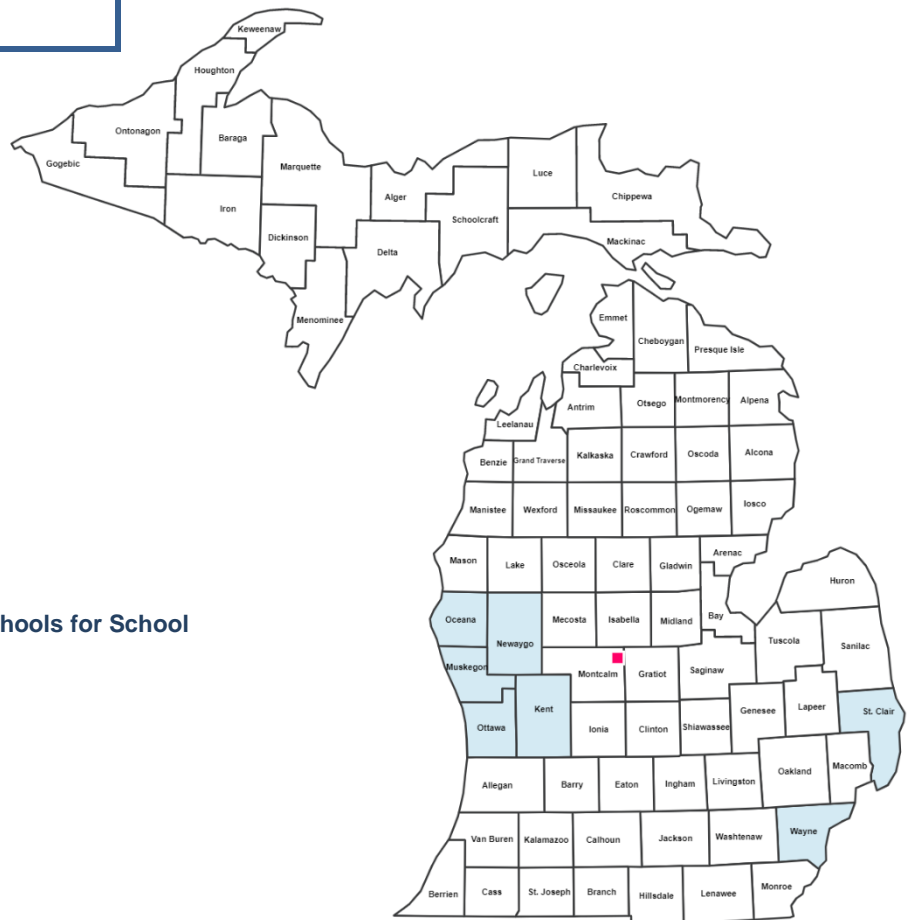
**Top three counties served and student population:**

Muskegon County	25
St. Clair County	13
Ottawa County	3

### Number of Students



\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.



*This exhibit continued on next page.*

**The Paris Academy  
School Year 2016-17**

**Information About The Paris Academy**

**Location of academy:** Genesee County  
**Management company:** Paris Academies of Compelling Education, Inc.  
**Authorizing body:** Genesee School District  
**Entity physical city:** Grand Blanc  
**Entity open date:** July 1, 2016  
**Entity close date:** June 21, 2018  
**Grades authorized to serve:** K - 12  
**Student teacher ratio:** 92:1\*  
**Number of students in fall:** 366.5\*  
**4-year graduation rate:** 21.6%\*  
**4-year dropout rate:** 2.0%\*








**Student Population**

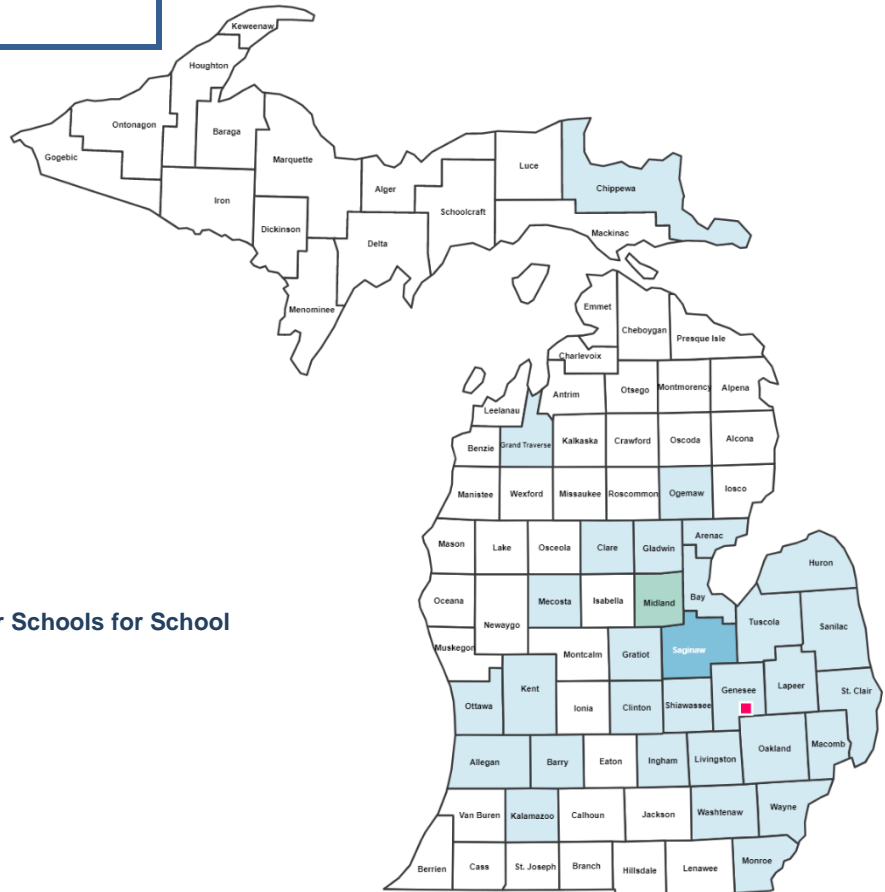
**Student population:** 405

**Top five counties served and student population:**

Saginaw County	101
Midland County	88
Kent County	32
Bay County	30
Genesee County	29

**Number of Students**

	300 and over
	200 to 299
	100 to 199
	51 to 99
	1 to 50
	0
	Entity physical city



\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.

*This exhibit continued on next page.*

**WAY Michigan  
School Year 2016-17**

## Information About WAY Michigan

**Location of academy:** Wayne County

**Management company:** W-A-Y (Widening Advancements for Youth)

**Authorizing body:** Central Michigan University

Entity physical city: Detroit

Entity open date: July 1, 2014

Entity close date: Not applicable

**Grades authorized to serve: 6 - 12**

**Student teacher ratio: 45:1\***

**Number of students in fall: 128.8\***

**4-year graduation rate: 23.8%\***

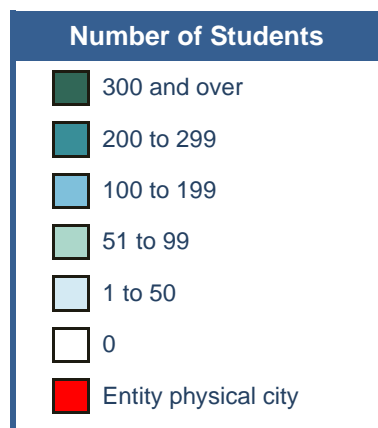
**4-year dropout rate: 11.9%\***

## Student Population

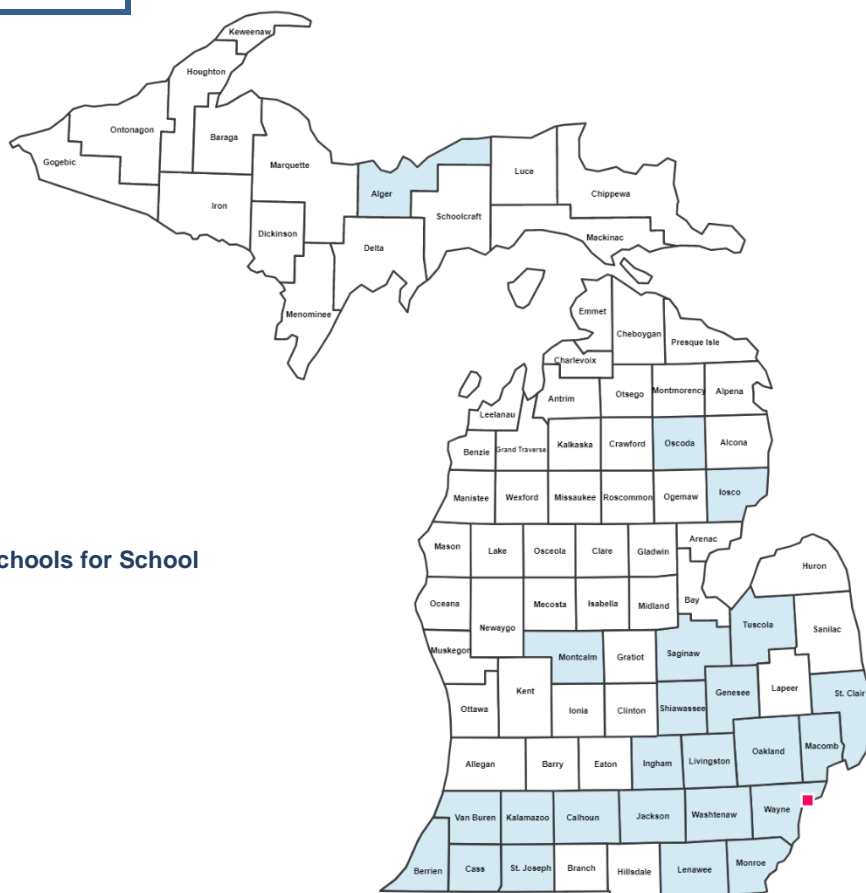
**Student population: 173**

### Top five counties served and student population:

Oakland County	49
Wayne County	42
Genesee County	13
Kalamazoo County	13
Macomb County	13



\* See page 53 for Statistics for Cyber Schools for School Years 2017-18 and 2018-19.



*This exhibit continued on next page.*

Statistics for Cyber Schools for School Years 2017-18 and 2018-19

District Name	Student Teacher Ratio		Number of Students in Fall		4-Year Graduation Rate		4-Year Dropout Rate	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Great Lakes Cyber Academy	43	33	1,032	1,068	52.0%	49.5%	29.9%	26.1%
Highpoint Virtual Academy of Michigan	36	35	610	821	N/A	N/A	N/A	N/A
iCademy Global	26	24	199	213	55.2%	57.9%	34.5%	36.8%
Insight School of Michigan	37	43	777	767	30.1%	36.5%	46.2%	40.2%
LifeTech Academy	37	37	196	160	34.0%	38.6%	34.0%	26.3%
Michigan Connections Academy	29	28	1,658	1,683	64.8%	74.0%	15.9%	9.6%
Michigan Great Lakes Virtual Academy	32	31	2,720	2,845	37.0%	41.3%	43.8%	38.2%
Michigan Virtual Charter Academy	39	33	2,898	2,860	34.2%	38.7%	47.2%	35.7%
Regents Academy				Closed				
Success Virtual Learning Centers of Michigan	59	75	561	1,276	13.5%	19.4%	29.0%	37.7%
The Paris Academy				Closed				
WAY Michigan	33	25	226	195	41.8%	29.3%	11.9%	42.7%

N/A = Not Applicable.

Source: The OAG created this exhibit using MDE data presented on MiSchooldata.org and the school years 2017-18 and 2018-19 MDE Bulletin No. 1014.

VIRTUAL LEARNING IN CYBER SCHOOLS  
Michigan Department of Education

Cyber School Students by School and County  
For the School Year 2016-17

**Top Five Largest Cyber Schools**

Michigan Virtual Charter Academy	3,318
Michigan Great Lakes Virtual Academy	3,078
Michigan Connections Academy	1,858
Great Lakes Cyber Academy	1,054
Insight School of Michigan	957

**Student Population**

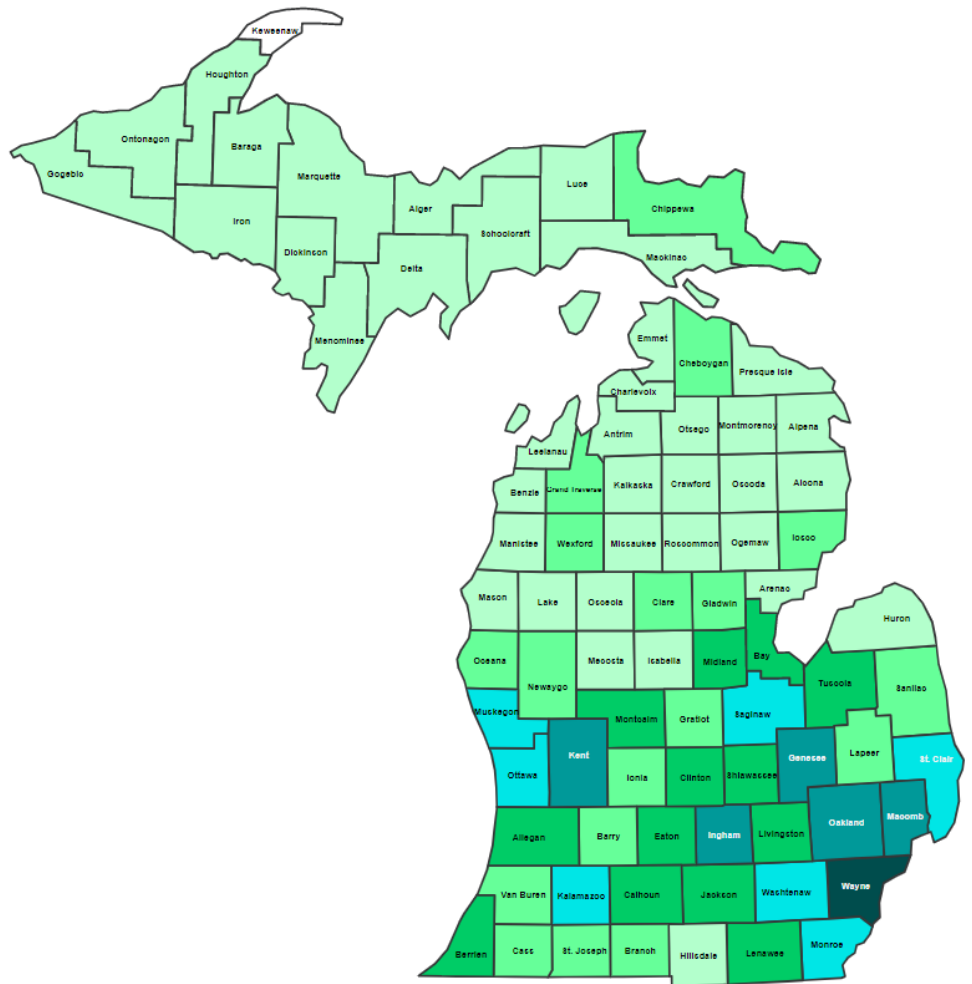
**Michigan's total cyber student population: 12,246**

**Top five counties served and student population:**

Wayne County	2,669
Oakland County	915
Macomb County	894
Genesee County	739
Kent County	627

**Number of Students**

	1,000 and over
	500 to 999
	200 to 499
	100 to 199
	51 to 99
	1 to 50
	0

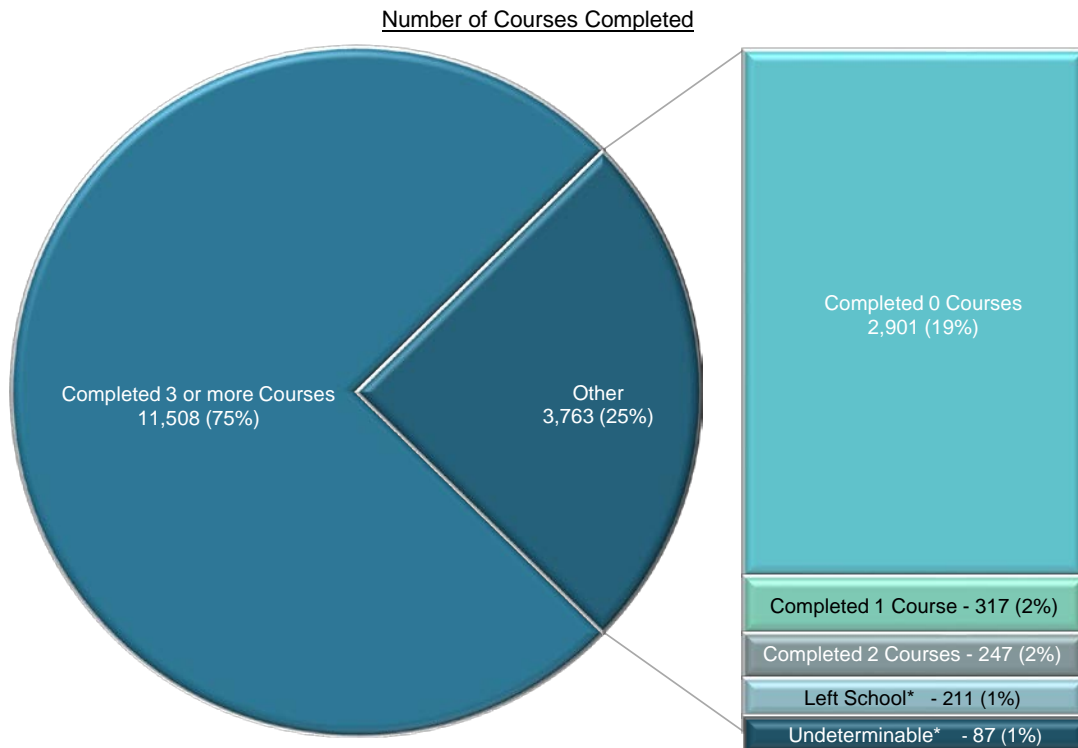


View the interactive map for detail on each county: **Cyber School Student Map**  
**Map presents geographic location of the 2016-17 cyber school students subject to our review.**

Source: The OAG created this exhibit using MDE data obtained from CEPI.

VIRTUAL LEARNING IN CYBER SCHOOLS  
Michigan Department of Education

Total Number of Academic Courses Cyber School Students Completed  
For the 2016-17 School Year



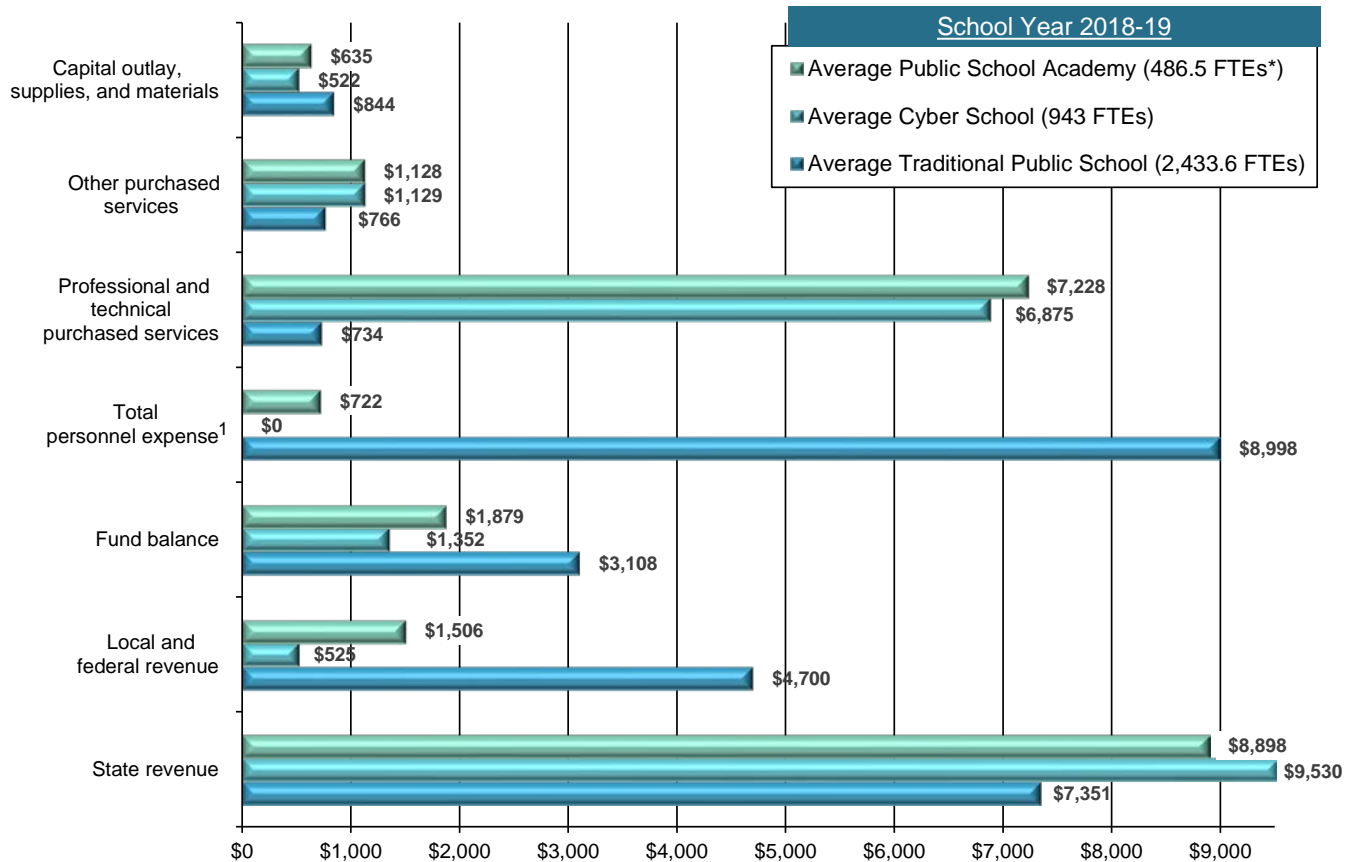
The OAG recreated this analysis with data from school year 2017-18 and 2018-19, and we saw similar completion trends.

\*We did not calculate the number of courses completed for cyber school students if the student's exit status was unable to be determined or they attended the cyber school less than half of the school year.

Source: The OAG created this exhibit using MDE data obtained from CEPI.

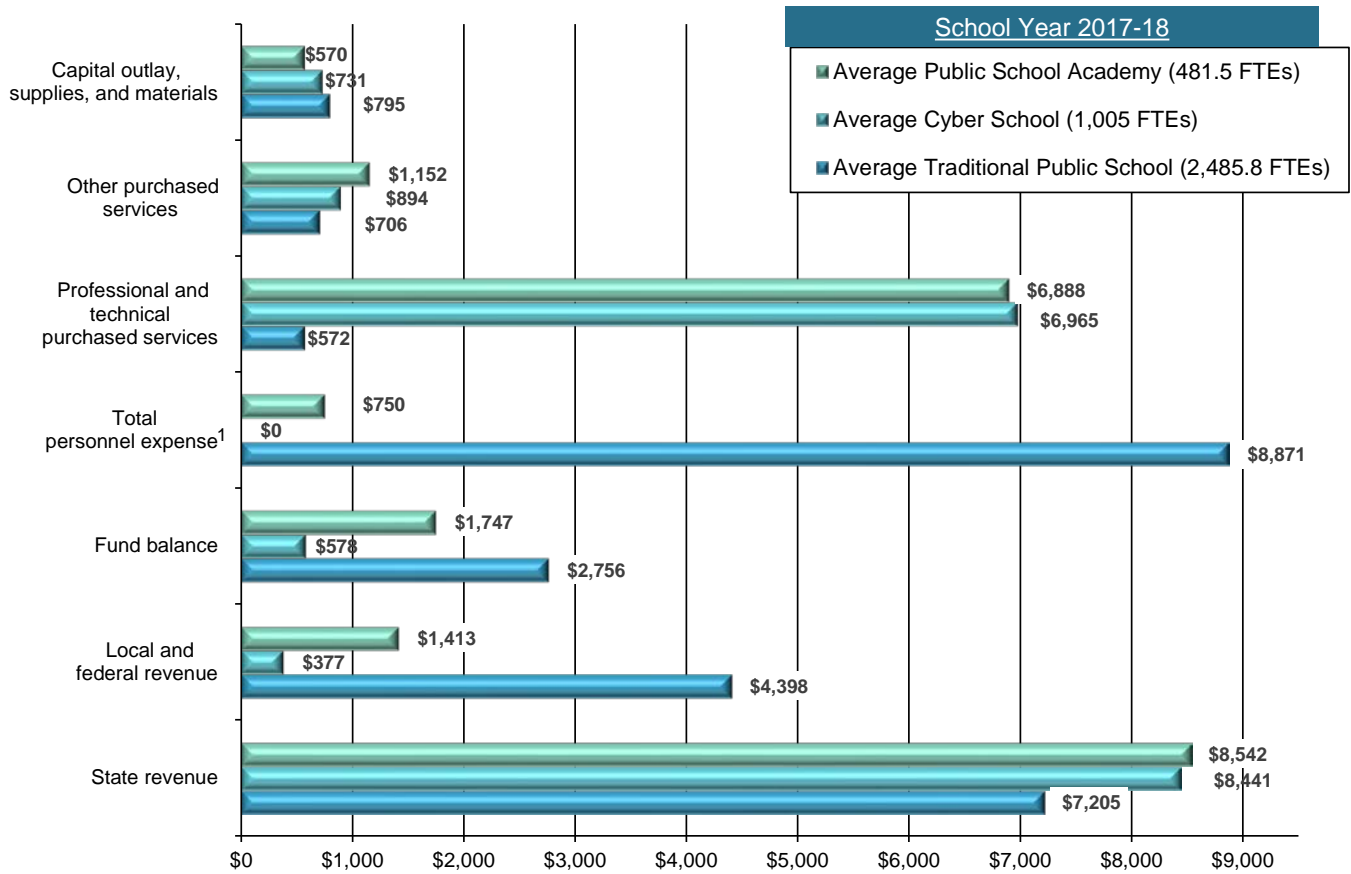
**VIRTUAL LEARNING IN CYBER SCHOOLS**  
Michigan Department of Education

**Average Per Student Financial Comparison Between School Types**  
**Expenditures, Revenues, and Fund Balance**

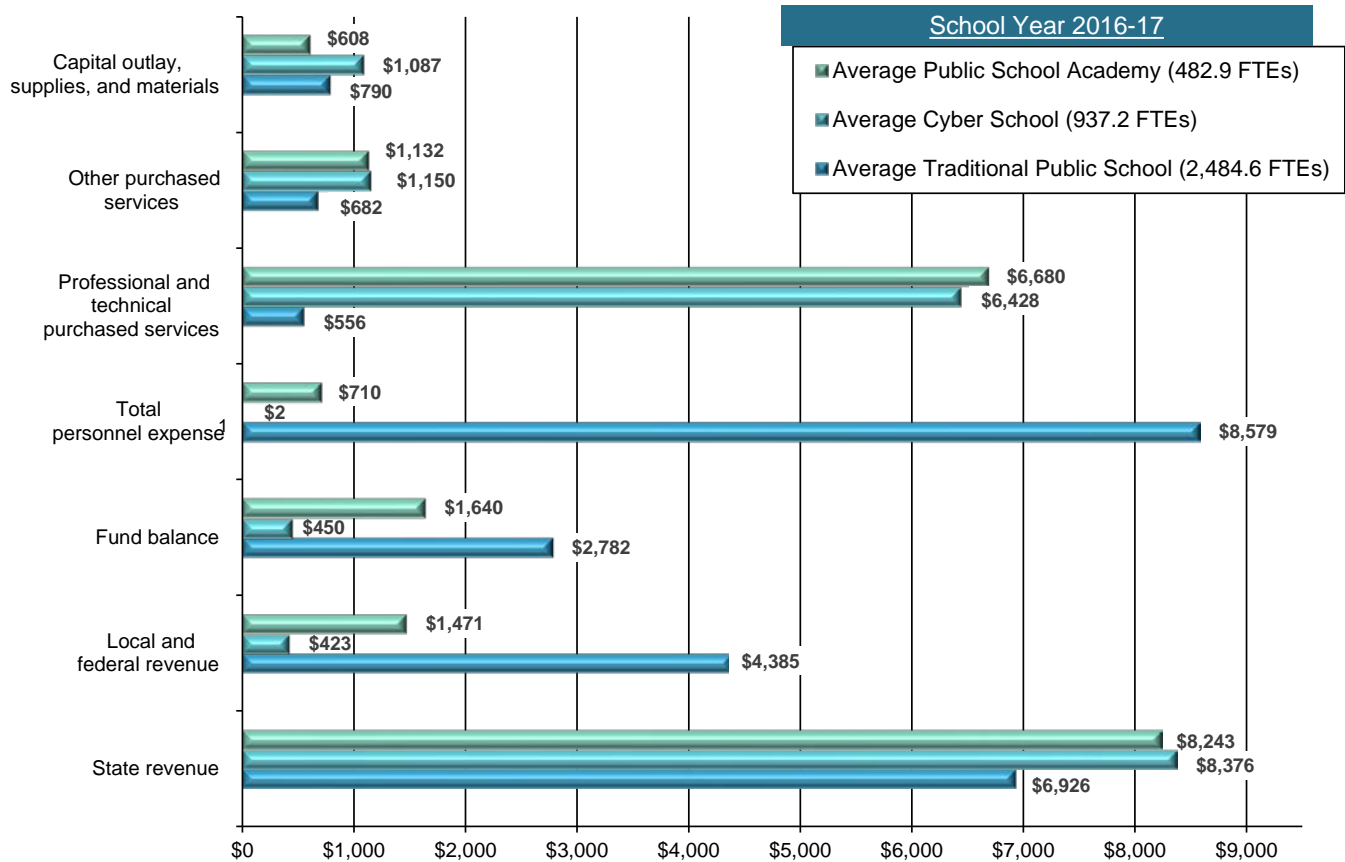


\* See glossary at end of report for definition.

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<sup>1</sup>Total personnel expense is the sum of salary, employee insurance benefits, Federal Insurance Contributions Act (FICA)/retirement/unemployment/workers' compensation benefits.

Source: The OAG created this exhibit using MDE's annual Bulletin 1014 Michigan Public School Districts Ranked By Selected Financial Data, Compensation Insurance, and other personnel expenses.

VIRTUAL LEARNING IN CYBER SCHOOLS  
Michigan Department of Education

Average Cost Per Student by Expenditure Category Comparison Between School Types  
School Year 2016-17

District Name	Average FTE (Students)	Total Instructional Expenditures	Instructional Support	Business and Administration	Operation and Maintenance	Transportation	Other Expenditures	Total Expenditures
Great Lakes Cyber Academy	909.84	\$ 4,996	\$ 576	\$ 2,338	\$ 117	\$ 0	\$ 59	\$ 8,086
Average Traditional Public School	895.03	\$ 5,977	\$ 630	\$ 1,418	\$ 1,029	\$ 463	\$ 183	\$ 9,699
Average Public School Academy	908.68	\$ 4,666	\$ 1,201	\$ 2,688	\$ 1,013	\$ 386	\$ 235	\$ 10,189
Highpoint Virtual Academy of Michigan	237.70	\$ 8,206	\$ 817	\$ 1,443	\$ 159	\$ 0	\$ 197	\$ 10,822
Average Traditional Public School	237.66	\$ 7,045	\$ 549	\$ 1,949	\$ 1,085	\$ 567	\$ 297	\$ 11,491
Average Public School Academy	240.98	\$ 3,656	\$ 549	\$ 2,090	\$ 1,185	\$ 206	\$ 789	\$ 8,474
iCademy Global	188.15	\$ 4,633	\$ 1,303	\$ 1,729	\$ 1,040	\$ 1	\$ 640	\$ 9,346
Average Traditional Public School	180.98	\$ 7,295	\$ 325	\$ 2,065	\$ 1,128	\$ 798	\$ 492	\$ 12,102
Average Public School Academy	186.04	\$ 4,368	\$ 692	\$ 2,105	\$ 1,139	\$ 128	\$ 742	\$ 9,174
Insight School of Michigan	787.26	\$ 5,601	\$ 797	\$ 1,698	\$ 87	\$ 0	\$ 30	\$ 8,213
Average Traditional Public School	790.09	\$ 6,590	\$ 540	\$ 1,354	\$ 963	\$ 448	\$ 230	\$ 10,125
Average Public School Academy	779.10	\$ 3,845	\$ 1,098	\$ 1,728	\$ 1,673	\$ 38	\$ 927	\$ 9,309
LifeTech Academy	204.63	\$ 3,754	\$ 63	\$ 4,298	\$ 503	\$ 0	\$ 101	\$ 8,719
Average Traditional Public School	209.85	\$ 7,125	\$ 411	\$ 2,044	\$ 1,142	\$ 735	\$ 412	\$ 11,869
Average Public School Academy	203.47	\$ 3,777	\$ 518	\$ 2,192	\$ 1,215	\$ 164	\$ 851	\$ 8,717
Michigan Connections Academy	1,671.67	\$ 5,261	\$ 556	\$ 2,188	\$ 135	\$ 0	\$ 5	\$ 8,145
Average Traditional Public School	1,685.67	\$ 5,737	\$ 723	\$ 1,123	\$ 766	\$ 560	\$ 289	\$ 9,197
Average Public School Academy	1,617.76	\$ 4,210	\$ 1,026	\$ 2,075	\$ 1,065	\$ 99	\$ 3,011	\$ 11,486
Michigan Great Lakes Virtual Academy	2,693.15	\$ 5,436	\$ 581	\$ 1,898	\$ 21	\$ 0	\$ 35	\$ 7,971
Average Traditional Public School	2,693.44	\$ 5,773	\$ 621	\$ 1,165	\$ 886	\$ 425	\$ 519	\$ 9,388
Average Public School Academy	2,251.41	\$ 4,004	\$ 874	\$ 1,891	\$ 1,422	\$ 106	\$ 709	\$ 9,005
Michigan Virtual Charter Academy	2,821.01	\$ 5,220	\$ 1,235	\$ 2,085	\$ 53	\$ 0	\$ 178	\$ 8,771
Average Traditional Public School	2,807.78	\$ 6,095	\$ 922	\$ 1,050	\$ 702	\$ 463	\$ 256	\$ 9,487
Average Public School Academy	2,251.41	\$ 4,004	\$ 874	\$ 1,891	\$ 1,422	\$ 106	\$ 709	\$ 9,005
Regents Academy	300.75	\$ 3,520	\$ 1,108	\$ 5,978	\$ 0	\$ 97	\$ 1	\$ 10,704
Average Traditional Public School	295.60	\$ 6,481	\$ 362	\$ 1,557	\$ 900	\$ 569	\$ 327	\$ 10,196
Average Public School Academy	297.33	\$ 3,756	\$ 631	\$ 2,047	\$ 1,222	\$ 268	\$ 974	\$ 8,897
The Paris Academy	366.48	\$ 2,261	\$ 175	\$ 3,816	\$ 355	\$ 0	\$ 907	\$ 7,514
Average Traditional Public School	358.97	\$ 6,233	\$ 307	\$ 1,643	\$ 868	\$ 604	\$ 238	\$ 9,892
Average Public School Academy	364.32	\$ 4,620	\$ 908	\$ 2,204	\$ 1,423	\$ 328	\$ 355	\$ 9,839
WAY Michigan	128.80	\$ 4,236	\$ 905	\$ 2,047	\$ 561	\$ 0	\$ 11	\$ 7,760
Average Traditional Public School	130.88	\$ 8,772	\$ 309	\$ 2,088	\$ 1,304	\$ 441	\$ (344)	\$ 12,570
Average Public School Academy	123.08	\$ 4,377	\$ 963	\$ 2,527	\$ 1,271	\$ 231	\$ 659	\$ 10,028

Note: We did not compare Success Virtual Learning Centers of Michigan because it did not have a full-year of operation during the school year 2016-17.

## DESCRIPTION

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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 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's) primary goal is to support schools in helping all students learn and achieve high standards. OES provides support to local education agencies and PSAs, including cyber schools, 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. The PSA Unit is organizationally located within OES and its mission states that through rigorous oversight and technical assistance, the PSA Unit provides leadership in the development and maintenance of high-quality school options to better meet the educational needs of Michigan communities, now and in the future. 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 cyber schools.

OES was appropriated \$3.8 million and had approximately 83 full-time equated positions as of September 30, 2020. The PSA Unit has 5 staff members that provide oversight and technical assistance to 42 authorizers and 292 PSAs, including cyber schools.

## AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

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### AUDIT SCOPE

To examine the records and processes associated with MDE's role and operations related to the virtual learning provided in Michigan's cyber 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 cyber 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 third 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 the second report for Virtual Learning in Traditional Public Schools (313-0224-16) in August 2020.

### PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, site visits, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2014 through June 30, 2018. 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 cyber 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.
- Interviewed MDE management and staff to obtain an understanding of MDE's activities related to oversight of

virtual learning in cyber schools and the monitoring activities of cyber school authorizers.

- Interviewed MDE staff to obtain an understanding of MDE's activities to monitor special education services provided by cyber schools.
- Conducted an interview with a judgmentally selected intermediate school district's management and pupil auditors to obtain an understanding of its pupil membership audit process of cyber schools.
- Interviewed MDE management and staff and obtained an understanding of Statewide assessment administration practices, requirements, and the impact of Statewide assessments on cyber schools.
- During the Virtual Learning in Traditional Public Schools (313-0224-16) audit, we:
  - Interviewed MV management and staff and obtained an understanding of MVLRI's annual *Michigan K-12 Virtual Learning Effectiveness Report*.
  - Obtained an understanding of MDE's and CEPI's relationship, respective roles, and responsibilities related to the data collected related to virtual learning in all schools.
  - 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.

## **OBJECTIVE 1**

To assess the sufficiency of MDE's monitoring of cyber school authorizers.

To accomplish this objective, we:

- Interviewed PSA Unit staff to obtain an understanding of the A&V process MDE used to ensure that authorizers were complying with requirements, provide technical assistance, and promote communication between MDE and authorizers.

- Acquired procedural guidelines the PSA Unit uses when selecting authorizers to visit and when conducting an A&V visit.
- Researched AdvancED's accreditation policies and procedures and compared them with the PSA Unit's A&V process.
- Judgmentally selected a sample of four authorizers to conduct on-site reviews of authorizer procedures and records to assess effectiveness of the PSA Unit's A&V process. The sample was selected from the population of 11 authorizers for the 13 cyber schools that operated during the 2016-17 school year. For our judgmental sample, we could not project our results to the entire population.

## OBJECTIVE 2

To assess the effectiveness of MDE's efforts to monitor and evaluate the virtual learning provided by cyber schools.

To accomplish this objective, we:

- Interviewed MDE staff regarding MDE's strategies for monitoring and evaluating the virtual learning provided in cyber schools.
- Reviewed MDE's PAM and Pupil Membership Auditing Manual and evaluated the guidance that MDE provided to cyber schools and pupil auditors related to virtual learning provided by cyber schools.
- Assessed the availability of and analyzed cyber school student data related to Statewide assessment test results, course completions and graduations, course enrollments, and teacher assignments.
- Judgmentally selected a sample of 7 cyber schools from a Statewide population of 13 cyber schools that operated during the 2016-17 school year to assess the effectiveness of MDE's efforts to monitor and ensure cyber schools' compliance with various State statutes and MDE policies.

As applicable, we performed on-site reviews of relevant school and MDE records and we:

- Reviewed 100% of the selected 7 cyber school administrators' certificates to determine whether the administrators held a valid Michigan administrator certificate.
- Randomly and judgmentally selected a sample of 88 employees from the population of 363 cyber

school employees employed by the cyber school during the 2016-17 school year for the 7 selected cyber schools to determine whether criminal background checks were completed before beginning employment.

- Randomly selected a sample of 135 cyber school special education students for testing from the population of 1,405 students from the 7 selected cyber schools. We reviewed the IEPs for 63 cyber school special education students to determine if students received the identified special education services that their IEP prescribed for the student.
- Randomly selected a sample of 320 cyber school students for testing from the population of approximately 8,600 students from the 7 selected cyber schools during the 2016-17 school year. These 320 randomly selected virtual learners had 274 associated teachers. We tested whether:
  - Course teachers held a valid Michigan teaching certificate and proper grade and subject endorsements.
  - The transcripts of 40 virtual learners that graduated during the 2016-17 school year reflected the applicable MMC credit requirements for graduation.
  - Students met the applicable course attendance and participation requirements for pupil membership purposes.
  - Students met the 1,098 hours of participation requirement.
  - Cyber schools maintained required documentation to support student enrollment.
  - Students received subsidies for Internet service.

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

- Compared information for 269 individuals identified from our testing procedures for the 7 sampled cyber schools as instructing students for the 2016-17 school year with the PSOR.

- Compared select Michigan cyber school students with five other state's cyber school students to identify if students were potentially being claimed for funding in multiple states.

### **OBJECTIVE 3**

To assess the sufficiency of MDE's process to ensure that contracts establishing cyber schools meet statutory requirements.

To accomplish this objective, we:

- Interviewed PSA Unit staff regarding MDE's strategies for ensuring contracts establishing cyber schools meet statutory requirements.
- Obtained and reviewed MDE's contract checklist and evaluated the guidance MDE provides to cyber school authorizers.
- Reviewed and compiled State statutory requirements for contracts between an authorizer and a cyber school.
- Compared statutory requirements contained on MDE's contract checklist to determine whether the contract checklist contained the identified statutory requirements.
- Reviewed guidance from the International Association for K-12 Online Learning (iNACOL) regarding national standards for quality online programs.
- Judgmentally selected a sample of 9 cyber school contracts for the population of 18 cyber schools with a contract effective during the audit period to assess the sufficiency of MDE's process to ensure that contracts establishing cyber schools meet statutory requirements. We obtained and examined contracts between the authorizers and cyber schools to determine whether the contract provisions included all of the selected statutory requirements. For our judgmental sample, we could not project our results to the entire population.

### **OBJECTIVE 4**

To compile information on the State's funding of cyber schools and their reported costs.

To accomplish this objective, we:

- Interviewed MDE staff to obtain an understanding of cyber school and EMO financial and transparency reporting requirements and reviewed applicable MDE guidance.
- Compiled and analyzed cyber schools' public financial data as presented in Exhibits 5 and 6.

- Compared public cyber school financial data with financial data for traditional public schools and PSAs.
- Obtained and reviewed contracts for the 7 cyber schools selected for on-site visits as part of Objective 3 between the cyber schools' boards of education and the EMOs.

## **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 3 findings and 3 corresponding recommendations. MDE's preliminary response indicated it agrees with 1 recommendation and partially agrees with 2 recommendations.

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 6. Our audit was not directed toward expressing a conclusion on this information.

## GLOSSARY OF ABBREVIATIONS AND TERMS

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A&V	assurance and verification.
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.
authorizing body (authorizer)	Any one of the following that issues a contract for a cyber school: the board of a local school district, the board of an intermediate school district, the board of a community college, the governing board of a State public university, or two or more public agencies specifically defined within Section 380.551(2)(v) of the <i>Michigan Compiled Laws</i> .
CEPI	Center for Educational Performance and Information.
community district	A school district organized under Part 5B of the Revised School Code.
contract	The executive act taken by an authorizing body that evidences the authorization of a PSA and that establishes, subject to the constitutional powers of the State Board of Education and applicable law, the written instrument executed by an authorizing body conferring certain rights, franchises, privileges, and obligations on a PSA, as provided by this part, and confirming the status of a PSA as a public school in Michigan.
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.
cyber school	A school of excellence established and issued a contract to be organized and operated as a cyber school that provides full-time instruction to pupils through online learning or otherwise on a computer or other technology, which instruction and learning may be remote from a school facility.
dropout rate	The percentage calculated as dropouts divided by the cohort of the total number of students who left high school permanently at any time during the 4-year period or whose whereabouts are unknown.

DTMB	Department of Technology, Management, and Budget.
educational management organization (EMO)	An entity that enters into a management agreement with a PSA.
effectiveness	Success in achieving mission and goals.
FBI	Federal Bureau of Investigation.
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.
FTE	Full-time equivalent student count that represents the number of students the schools receive the per student foundation allowance for.
graduation rate	The percentage calculated as graduated divided by the cohort, of the total number of students who completed high school with a regular diploma in 4 years or less.
hotspot device	An ad hoc wireless access point that is created by a dedicated hardware device or a smartphone feature that shares the phone's cellular data.
IEP	individualized education plan.
management agreement	An agreement to provide comprehensive educational, administrative, management, or instructional services or staff to a PSA.
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.
MI School Data	The State's official public portal for education data to help residents, educators and policymakers make informed decisions that can lead to improved success for students. The site offers

	multiple levels and views for Statewide, intermediate school district, district, school, and college level information. Data are presented in graphs, charts, trend lines, and downloadable spreadsheets to support meaningful evaluation and decision-making.
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 School Performance Index	An overall index value ranging from 0 to 100 for each school based on student growth, proficiency, graduation rates, English learner progress, attendance rates, advanced coursework completion, postsecondary enrollment, and staffing ratios. Schools with low index values may be identified as 1 of 3 low-performing school types defined by the federal requirements.
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 infrastructure 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 grade that is provided in an interactive Internet-connected learning environment, where pupils are separated from their teachers by time or location, or both. For a course to be considered an online course, all or almost all of the course content is delivered online.
oversight	The actions taken to review and monitor organizations and their policies, plans, and programs to ensure they are achieving

expected results and are in compliance with applicable policies, laws, regulations, and ethical standards.

PAM

Pupil Accounting Manual.

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.

PSOR

Michigan Public Sex Offender Registry.

public school academy  
(PSA)

A State-sponsored public school under the State Constitution, operating under a contract issued by a public authorizing body and is 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.

purchased services

Amounts paid for services rendered by persons who are not on the payroll of the school system.

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.

school of excellence (SOE)

A public school under Article VIII, Section 3 of the Michigan Constitution of 1963 that is subject to the leadership and general supervision of the State Board of Education over all public education. It was established under Part 6E of the Revised School Code.

SOPI

Superintendent of Public Instruction.

student growth percentiles	A powerful way to quantify the learning of individual students over one or more years. It communicates the degree to which a student has learned in a particular domain, compared to a group of academic peers who had a comparable score on the previous test in that subject.
traditional public school	Public school districts, including intermediate school districts, that do not include PSAs or cyber schools.





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