



U.S. Department of Education
Office of Inspector General

Calculating and Reporting Graduation Rates in Utah

November 27, 2018
ED-OIG/ A06R0004



NOTICE

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

November 27, 2018

Sydnee Dickson
State Superintendent of Public Instruction
Utah State Board of Education
250 East 500 South
P.O. Box 144200
Salt Lake City, UT 84114-4200

Dear Ms. Dickson:

Enclosed is our final audit report, "Calculating and Reporting Graduation Rates in Utah," Control Number ED-OIG/A06R0004. This report incorporates the comments you provided in response to the draft report. If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Department of Education official[s], who will consider them before taking final Departmental action on this audit:

Frank Brogan
Assistant Secretary of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, D.C. 20202

The U.S. Department of Education's policy is to expedite audit resolution by timely acting on findings and recommendations. Therefore, if you have additional comments, we would appreciate receiving them within 30 days.

Sincerely,

/s/

Alyce Frazier
Regional Inspector General for Audit

Enclosure

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Results in Brief

What We Did

The objective of our audit was to determine whether the Utah State Board of Education (Utah Education) implemented a system of internal control over calculating and reporting graduation rates sufficient to provide reasonable assurance that reported graduation rates were accurate and complete.

We reviewed Utah Education's system of internal control related to the calculating and reporting of the adjusted cohort graduation rate (ACGR). The audit period covered the ACGR for school year (SY) 2014–15, which included students who were first-time ninth graders in SY 2011–12.¹

What We Found

We found that Utah Education's system of internal control did not provide reasonable assurance that reported graduation rates were accurate and complete during our audit period. Specifically, Utah Education did not have sufficient processes to ensure that (1) ACGR data received from the local educational agencies (LEAs) were accurate and complete, (2) students who the LEAs identified as graduates in the cohort met State graduation requirements, and (3) LEAs maintained adequate documentation for students removed from the cohort. Further, we found that Utah Education did not calculate its ACGR in accordance with Federal requirements. Utah Education's methodology for calculating its ACGR (1) improperly included students as graduates who earned an alternative award and (2) did not include all students who should have been reported in the SY 2014–15 cohort. Because Utah Education included 322 students who earned an adult education secondary diploma in the numerator and excluded 342 students from the denominator, Utah Education's reported SY 2014–15 ACGR was 1.3 percentage points higher than it should have been.

What We Recommend

We recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require Utah Education to ensure that LEAs have internal controls regarding the accuracy and completeness of ACGR data, establish LEA accountability for maintaining adequate documentation for students removed from the cohort, develop and implement a risk-based monitoring process, and ensure that LEAs conform to

¹ For the purposes of this report, we refer to a specific school year cohort as the students who were first-time ninth graders 4 years before the reported ACGR. For example, the SY 2014–15 cohort included first-time ninth graders in SY 2011–12.

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Federal guidance for maintaining required documentation supporting student removal from a cohort.

In addition, we recommend that the Assistant Secretary for the Office of Elementary and Secondary Education require Utah Education to update its ACGR methodology for future school years to ensure that the ACGR calculation accurately includes all students who should be included in the cohort, review prior year cohorts that were inaccurately reported to the U.S. Department of Education (Department) and correct the ACGR for those years or note that the ACGR was not accurate, and document its policies and procedures related to calculating and reporting the ACGR to the Department in accordance with Federal requirements.

Utah Education Comments

In its comments on the draft of this report, Utah Education agreed with the findings and described corrective actions it is taking to address our recommendations, including developing new policies, procedures, protocols, and training materials to improve its oversight and ensure compliance with Federal requirements. We did not make any changes to the report as a result of Utah Education's response. We summarized Utah Education's comments at the end of each finding and have included the full text of Utah Education's comments at the end of this report (see [Appendix C. Utah Education Comments](#)).

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Introduction

Background

In October 2008, the Department issued regulations to include requirements for calculating the ACGR. On December 10, 2015, President Obama signed the Every Student Succeeds Act (ESSA), which reauthorized the Elementary and Secondary Education Act of 1965 (ESEA) and codified a similar definition (Section 8101(25) and (43)) for calculating the ACGR. Requirements under ESSA that pertain to formula grant programs, such as Title I, Part A, of the ESEA, as amended, were effective beginning with SY 2017–18.²

The ACGR was designed to provide a uniform and more accurate measure of calculating high school graduation rates that is comparable across States and increases accountability and transparency. It was also intended to be used as an academic indicator to measure student achievement and school performance. To calculate the ACGR, States identify the “cohort” of first-time ninth graders in a particular school year and adjust this number by adding any students who transfer into the cohort and subtracting any students who transfer out, emigrate to another country, or die. The ACGR is the percentage of students in the cohort who graduate within 4 years. The following shows the ACGR formula for SY 2014–15:

² Although the ESSA ACGR definition was not in effect for the SY 2014–15 ACGR, we considered the ESSA definition in case our audit identified changes in Utah’s practices that were needed for future compliance with ESSA. Compliance with its requirements will be critical going forward for all recipients of Federal awards. Unless otherwise noted, all citations are to the 2014 regulations.

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Number of cohort members who earned a regular high school diploma³ by the end of SY 2014–15 } Numerator

Number of first-time ninth graders in Fall 2011 (starting cohort) plus students who transferred in, minus students who transferred out, emigrated, or died during SYs 2011–12, 2012–13, 2013–14, and 2014–15 } Denominator

The Department first reported the nation’s high school graduation rate using the ACGR for SY 2010–11. At that time, the nation’s high school graduation rate was 79 percent. The nation’s high school graduation rate for SY 2015–16 was 84.1 percent, the highest level since States adopted the ACGR.

Utah’s Graduation Rate

Utah’s focus on improving its high school graduation rate has resulted in two initiatives: the Utah Governor’s plan and Utah Education’s plan. The Utah Governor’s 10-year education plan, published in 2013, established the goal of achieving a 90-percent high school graduation rate by 2020. Utah Education’s strategic plan, “Excellence for Each Student,” adopted in 2016, also included a 90-percent high school graduation rate goal (by SY 2021–22) and placed a focus on intended learning outcomes as a key to high student achievement to help increase high school graduation rates.

Utah’s high school graduation rate increased steadily from SYs 2011–12 through 2015–16, and after SY 2011–12, has remained slightly above the national average high school graduation rate. Table 1 shows the national average high school graduation rates and Utah’s high school graduation rates since SY 2011–12.

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

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Table 1. National ACGR Compared to Utah’s Reported ACGR

School Year	National ACGR (Percent) ⁺	Utah ACGR (Percent)	Difference
2011–12 ⁺	80.0	80.0	0
2012–13	81.4	83.0	1.6
2013–14	82.3	83.9	1.6
2014–15	83.2	84.8	1.6
2015–16	84.1	85.2	1.1

⁺The National ACGR for SY 2011–12 was reported as a whole number.

Utah Education’s Collection and Reporting of ACGR Data

For SY 2014–15, Utah Education’s ACGR reporting structure consisted of 79 LEAs from which 182 schools reported graduation rates. Of these 182 schools, 56 served high school students starting with the tenth grade. The State of Utah Consolidated State Application Accountability Workbook (2011) stated that Utah Education planned to report its ACGR using grades ten through twelve (a 3-year cohort). However, Utah Education reported a 4-year cohort to the Department.

To calculate the ACGR, Utah Education uses a process where student data are obtained directly from LEAs. The LEAs enter student data (i.e., registration, promotion, withdrawal, grades, and graduation) into the student information system of their choice. LEAs upload information from their student information system to the Utah eTranscript and Record Exchange (UTREx) system daily. Utah Education’s Information Technology Department is responsible for validating the data. The Data and Statistics Section extracts data from UTREx three times a year (October 1, December 1, and June 30) and uploads the data into the Data Warehouse. Utah Education uses the graduation data in the Data Warehouse to produce final reports and compute the ACGR submitted to the Department.

States collect student data from LEAs, perform ACGR calculations, and report the student data and ACGR to the Department. We reviewed ACGR data reported by the States that included State educational agency-level data as well as LEA-level data. We selected three States to conduct a series of audits, one of which was Utah. We selected Utah for review because when we reviewed the Department’s data, we found Utah’s ACGR numerator (reported graduates) had the second highest percentage growth between SYs 2011–12 and 2014–15.

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We selected Alpine School District (Alpine) and Washington County School District (Washington) to test LEAs' controls over the accuracy and completeness of their ACGR data. Alpine and Washington had the highest percentage growth in the numerator between SYs 2011–12 and 2014–15.

Uniform Guidance

In December 2013, the Office of Management and Budget published Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, known as the Uniform Guidance, in Title 2, Part 200 of the Code of Federal Regulations (C.F.R.), which consolidated and superseded requirements from eight circulars. The Uniform Guidance streamlined the administrative requirements, cost principles, and audit requirements for Federal awards. These requirements became effective for grants awarded on or after December 26, 2014.⁴

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

ESSA section 9204(1) requires the Department to notify State educational agencies of their responsibility to “comply with all monitoring requirements” and “monitor properly any subgrantee.”

⁴ The Uniform Guidance was not in effect during the period covered by our audit; however, compliance with its requirements will be critical going forward for all recipients of Federal awards.

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Finding 1. Utah Education’s System of Internal Control Did Not Provide Reasonable Assurance that Reported Graduation Rates Were Accurate and Complete

Utah Education did not have sufficient internal controls to provide reasonable assurance that its reported graduation rates were accurate and complete. Specifically, Utah Education did not effectively oversee or monitor LEA activities related to compiling and reporting ACGR data and did not identify inaccurate LEA-reported data. These weaknesses occurred because Utah Education did not develop and implement effective processes to ensure the accuracy and completeness of ACGR data received from LEAs or to identify errors in LEA-reported data before submitting its aggregated ACGR data to the Department. Based on our testing, we determined that Utah Education’s reported ACGR for SY 2014–15 was inaccurate and incomplete. Consequently, both Utah Education and the Department risk using inaccurate and incomplete data when describing and reporting on Utah Education’s progress toward increasing its graduation rates and Utah Education’s graduation rate as an academic indicator to measure student achievement and school performance.

Utah Education Did Not Effectively Oversee or Monitor LEAs Controls Over ACGR Data Reliability

Utah Education did not have sufficient controls in place to effectively oversee or monitor ACGR data received from the LEAs. Specifically, Utah Education did not have sufficient processes to ensure that (1) ACGR data received from the LEAs were accurate and complete, (2) students whom LEAs identified as graduates in the cohort met State graduation requirements, and (3) LEAs maintained adequate documentation for students removed from the cohort. Although Utah Education had various controls in place—including data validation, a certification process for LEAs during data submission, and use of the State Auditor’s “Guide for Agreed Upon Procedures Engagements for LEAs and Community-Based Organizations” (Agreed Upon Procedures)—these controls either did not or could not detect or prevent the types of errors we found during our audit. Utah Education also developed a presentation for LEAs on Federal and State graduation rate rules and data verification, but it did not include specific information on documentation requirements, as described in further detail below.

Utah Education’s Information Technology Department created a two-level data validation process to review the data submitted by LEAs. Level 1 was a validation of data format that would send an error message to an LEA if the data submission was not in the correct data format. Level 2 was a validation of data content that, among other

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things, prevented duplicate counts by ensuring that a student was enrolled in one LEA at a time.

Additionally, the Data and Statistics Department conducted “soft audits,” which consisted of Utah Education’s review of student data that were submitted by LEAs before the three UTREx data extraction deadlines (October 1, December 1, and June 30). During the soft audits, the Data and Statistics Department reviewed cohort graduation rate elements in UTREx such as dropout grade count, grade level count, graduation pending count, certificate of completion count, exit code count, and transfer grade count. The soft audit compared each LEA’s and school’s current year data submission to the previous year’s data submission. If Utah Education found data that were outside of typical patterns or data that were different than what was expected for the LEA or school, such as a large year-to-year difference in graduate count, then Utah Education contacted LEAs to inform them of the issues. However, Utah Education relied on the LEAs to resolve the issues and did not perform additional validation steps to ensure LEA data were accurate.

Utah Education also required the LEAs to certify their data submission. The Utah Education certification stated, “By certifying this collection, you are stating that you have examined the data and approve its contents. The collection will be submitted to the requesting agency and will include your name and contact information.” Although the certification requires submitters to take responsibility for the data, the certification language did not specifically address data accuracy and completeness or require LEAs to disclose known data issues. Utah Education did not provide guidance on the significance of the certification or steps that submitters should take before submitting the data or the certification.

In addition, Utah Education required each LEA to contract with an independent certified public accountant to perform an Agreed Upon Procedures engagement, which included testing of students removed from the cohort. The Agreed Upon Procedures guide contained the same instructions for the documentation required when a student is removed from the cohort as the Department’s High School Graduation Rate Non-Regulatory Guidance (Department guidance), issued in December 2008. For each removed student selected, the certified public accountant obtains a copy of the transfer students list (from the prior Year End UTREx Report), samples 20 percent from the transfer students list, and determines whether official written documentation, as defined in the Department’s guidance, exists to support the LEA’s recorded exit code. If the certified public accountant’s report includes exceptions or recommendations, the Agreed Upon Procedures guide requires the independent certified public accountant to obtain a response from the LEA. The response can either be included within the certified public accountant’s report or as a brief attachment to the report.

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Utah Education receives a copy and reviews all certified public accountant Agreed Upon Procedures reports for each LEA. The Agreed Upon Procedures engagements at the LEAs we visited identified issues similar to what we found in our sample testing (see below). We found Utah Education followed up with one of the LEAs on some of the issues noted in the report. However, Utah Education did not follow up on the issues noted related to students removed from the cohort. Utah Education did not perform sufficient follow-up to ensure that LEAs took corrective actions or otherwise provided any oversight in this area. As a result, the Agreed Upon Procedures engagements were not as effective of a control as they could have been.

ESEA, as amended by both the No Child Left Behind Act of 2001⁵ (Section 9304(a)) and ESSA (Section 8304(a)), requires State educational agencies to properly monitor their LEAs. In addition, 2 C.F.R. §200.303(d) requires non-Federal entities to take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings. The U.S. Government Accountability Office’s “Standards for Internal Control in the Federal Government,” (Green Book) may be used by LEAs to develop a system that produces accurate and complete data. The Green Book specifically states that management should design appropriate types of control activities. In addition, the Green Book states that management should design the information system to respond to the entity’s objectives and risks related to the accuracy and completeness of the information processed. Further, the Green Book states that management should establish and operate monitoring activities and should timely remediate identified internal control deficiencies.

Utah Education Did Not Identify Inaccurate Local Data Reported

Utah Education’s controls over ACGR data reliability were not sufficient to detect errors in the data LEAs reported. This included data for students reported as graduates and students who were removed from the cohort.

We performed testing of two random samples of students who were reported as graduates to determine whether they met the State’s graduation requirements.⁶ According to Utah Administrative Code R277-700-6, students must meet the State minimum core courses plus other coursework requirements adopted by the LEA board

⁵ The requirements of the ESEA, as amended by the No Child Left Behind Act of 2001 and its implementing regulations, were in effect during the SY 2014–15 cohort.

⁶ The results reported pertain only to the sampled students, not the universe; see “Appendix A. Scope and Methodology” section for the sampling methodology used.

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to graduate with a regular high school diploma in Utah. Of the 87 students sampled, we found 13 who were misreported as graduates, 5 of whom received an adult education diploma.⁷ Based on the students' transcripts from Alpine and Washington, 8 of the 13 graduates did not complete all credits required to meet graduation requirements. Table 2 shows the results of our testing.

Table 2. Sample Results From Graduate Testing at LEAs for SY 2014–15⁸

LEAs	Graduates	Sample Size	Students Incorrectly Counted as Graduates
Alpine	4,503	44	2 (4.5%)
Washington	1,743	43	11 (25.6%) ⁺

⁺ The graduate student sample in Washington included 5 students who earned an adult education secondary diploma and were improperly reported as graduates in Utah's SY 2014–15 ACGR. See Finding No. 2 for details.

We also performed testing of two random samples of students who were removed from the cohort to determine whether their removal was properly documented.⁹ Of the 84 students sampled, we found that documentation for 41 removals from the cohort did not meet Federal requirements. The Department guidance states that a “transfer out” of a cohort occurs when a student leaves a school and enrolls in another school or in an educational program that culminates in the award of a regular high school diploma. To confirm that a student transferred out, a school or LEA must have “official written documentation” that a student has transferred to another school or to an educational program that culminates in the award of a regular high school diploma. The two LEAs did not always maintain official written documentation for students who transferred to a private school, to home school, or to another State or country. Washington school officials stated that they were not required to maintain written documentation for students who transferred out of State. Alpine school officials stated that they were unaware that official written documentation was required. Table 3 shows the results of our testing.

⁷ We discuss the results of our testing for the five adult education graduates in Finding No. 2.

⁸ See “Appendix A. Scope and Methodology” section for details on sampling methodology used.

⁹ The results reported pertain only to the sampled students, not the universe; see “Appendix A. Scope and Methodology” section for the sampling methodology used.

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Table 3. Sample Results from Cohort Removal Testing at LEAs for SY 2014–15

LEAs	Removals	Sample Size	Unsupported Removals
Alpine	477	42	24 (57%)
Washington	279	42	17 (40%)

We noted that the Agreed Upon Procedures reports for the LEAs we visited also indicated that the LEAs lacked documentation to support that students were appropriately removed from the cohort during our audit period. We found Utah Education followed up with Washington for SY 2014–15 on some of the issues noted in the report. However, Utah Education did not follow up on the issues related to students removed from the cohort. In addition, according to both Alpine and Washington officials, nothing in the Agreed Upon Procedures reports removal samples required follow-up or corrective action. Tables 4 and 5 show the results of the LEA Agreed Upon Procedures guide testing.

Table 4. Alpine Agreed Upon Procedures Report Results

Alpine	SY 2011–12	SY 2012–13	SY 2013–14	SY 2014–15
Students Sampled	34	31	40	19
Unsupported Removals	6 (18%)	3 (10%)	6 (15%)	8 (42%)

Table 5. Washington Agreed Upon Procedures Report Results

Washington	SY 2011–12	SY 2012–13	SY 2013–14	SY 2014–15
Students Sampled	50	47	19	25
Unsupported Removals	6 (12%)	21 (45%)	4 (21%)	5 (20%)

Utah Education provided guidance to the LEAs through training slides on how to identify students who belonged in the cohort, who should have been counted as graduates, and how to access the UTREx system to view graduation data. These slides also included an end note referencing the Department guidance. However, they did not specifically address what documentation LEAs should maintain to support the various exit codes

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that allowed a student to be removed from the cohort. In addition, neither LEA had written policies or procedures for checking students' final transcripts, which could have helped them identify issues regarding students who were reported as graduates but did not meet the State's graduation requirements.

According to Utah Education's Director of Data and Statistics, who is responsible for calculating and reporting the ACGR, Utah Education did not monitor ACGR data reliability because Utah Education believed that it was the LEAs' responsibility to ensure that they provided accurate and complete information to the State. As a result, Utah Education did not develop or incorporate into its monitoring procedures any steps that would have enabled it to identify noncompliance with Federal requirements at the local level.

Because Utah Education did not effectively oversee or monitor LEAs' internal controls over the reliability of ACGR data, Utah Education did not have reasonable assurance that its SY 2014–15 ACGR was accurate or complete. As a result, both Utah Education and the Department risk using inaccurate and incomplete data when describing and reporting Utah Education's progress toward meeting the goal of higher graduation rates.

Recommendations

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

- 1.1 Revise LEA certifications to include language attesting to the effectiveness of LEA systems of internal control and the accuracy and completeness of data submitted to Utah Education.
- 1.2 Develop and implement a process to effectively follow up on the Agreed Upon Procedures results.
- 1.3 Develop and implement a process, such as a risk-based monitoring tool, to monitor the LEAs' processes to provide assurance that the data they submit to Utah Education are accurate and complete.
- 1.4 Develop and implement a process to ensure LEAs follow Federal guidance for maintaining required documentation supporting student removal from a cohort.

Utah Education Comments

Utah Education agreed with the finding and identified corrective actions that it is taking for each recommendation. In its response, Utah Education stated it is revising and reworking data collection policies, standards for submission, and methodologies while

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creating the Utah Schools Information Management System. Utah Education stated that part of this process is to clearly define data elements, use of the data elements, and required supporting documentation, if applicable, and that it will develop written training materials and initiate training sessions for LEAs regarding student entry and exit from cohorts. Utah Education also stated that the Utah Schools Information Management System implementation team will include an LEA certification attesting to the effectiveness of LEA systems of internal control and the accuracy and completeness of data for annual submissions. Further, Utah Education will develop a risk-based monitoring protocol to monitor annual data submissions and work with the Utah State Auditor's Office to revise the Agreed Upon Procedures document to focus on risk areas associated with student entry and exit from cohorts. Finally, Utah Education will develop a process to effectively follow up on the results of Agreed Upon Procedures engagements (see [Appendix C. Utah Education Comments](#)).

OIG Response:

Utah Education's corrective actions, if properly implemented, should address our recommendations.

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Finding 2. Utah Education Did Not Calculate Its ACGR in Accordance with Federal Requirements

Utah Education’s methodology for calculating its ACGR was incorrect. Specifically, Utah Education (1) improperly included as graduates 322 students¹⁰ who earned an adult education secondary diploma and (2) omitted 342 students who should have been included in the SY 2014–15 cohort. For the students improperly included as graduates, Utah Education believed that the requirements of the adult education secondary diploma were comparable to its traditional high school diploma. However, adult education students are eligible only for an adult education secondary diploma, and adult education diplomas may not be upgraded or changed to a traditional, high school-specific diploma. In addition, for the omitted students, the Director of Data and Statistics stated the error occurred because it was his understanding that the total reported students from all schools offering twelfth grade had to match the total reported students from all LEAs. However, this approach resulted in Utah Education excluding some students who should have been reported in its SY 2014–15 ACGR. We concluded that accounting for these students in accordance with Federal regulations would have decreased Utah Education’s SY 2014–15 ACGR by about 1.3 percentage points.

Utah Education Included Students Who Earned Alternative High School Diplomas as Graduates

Utah Education incorrectly included 322 students who earned an adult education secondary diploma in the numerator for its SY 2014–15 ACGR. Although the adult education secondary diploma was considered equivalent to a high school diploma under State law, we determined that the diploma was an alternative award based on the Federal definition of a regular high school diploma.

According to 34 C.F.R. §200.19(b)(1)(iv), the term “regular high school diploma” means the standard high school diploma that is awarded to students in the State and that is fully aligned with the State’s academic content standards or a higher diploma. A regular high school diploma does not include a General Educational Development credential, certificate of attendance, or any alternative award. Even though ESSA was not applicable in SY 2014–15, it clarifies that a regular high school diploma is defined as the standard high school diploma awarded to the preponderance of students in a State that is fully aligned with the State’s standards and does not include a general equivalency

¹⁰ The 322 adult education students in this finding included the 5 students that were in our Washington graduate sample and earned an adult education secondary diploma in Finding No. 1.

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diploma, certificate of completion, certificate of attendance, or any other similar or lesser credential, such as a diploma based on meeting Individualized Education Program goals. In 2017, the Department issued new nonregulatory guidance on high school graduation rates that notes that States may not include a recognized equivalent of a diploma as a regular high school diploma for the purpose of calculating the ACGR. Even though the guidance was issued after SY 2014–15, it further clarifies the graduation rate requirements codified in statute.

Utah’s Adult Education Policies and Procedures Guide states that the adult education diploma required a curriculum that is comparable in intensity and rigor to a traditional K–12 high school program. Utah Education reported students who earned an adult education secondary diploma as graduates in the ACGR because Utah Education believed that the requirements of the adult education secondary diploma were comparable to its traditional high school diploma. However, Utah Administrative Code R277-705-7 regarding adult education states that adult education students are eligible only for an adult education secondary diploma, and that adult education diplomas may not be upgraded or changed to a traditional, high school-specific diploma.

Utah Education Removed Students from the Cohort for Unallowable Reasons

Utah Education also omitted 342 students who were part of the SY 2014–15 cohort and should have been reported in the ACGR. We found that 217 students who finished ninth grade at middle school but did not enroll in any high school within the State were excluded from the cohort. We also found that 125 students who were enrolled in special education, vocational, or alternative schools where the cohort sizes were too small to report a graduation rate for the individual schools were excluded from the cohort.

According to 34 C.F.R. §200.19(b)(ii), the term “adjusted cohort” means the students who enter ninth grade (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort. In addition, the Department guidance states

... unless an LEA does not serve students in ninth grade, the four-year graduation rate for an LEA should be calculated based on the number of first time ninth graders enrolled in a given year across all the schools in that LEA. Similarly, the four-year graduation rate for a State should be calculated based on the number of first time ninth graders enrolled in a given year across all the schools in the State.

Utah Education has high schools that serve both grades 9–12 and 10–12.

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Consistent with section 1111(h)(2)(C) of the ESEA, as amended by No Child Left Behind, the Department guidance also states that an LEA must report a graduation rate in the aggregate and disaggregated by subgroups for any school with a graduating cohort unless doing so would reveal personally identifiable information (i.e., unless the number of students is below the State’s minimum group size for reporting purposes).

These 342 students were improperly omitted from the State’s SY 2014–15 ACGR, in part, because Utah Education did not have written policies and procedures related to its process for calculating and reporting the ACGR to the Department in accordance with Federal requirements. According to the Director of Data and Statistics, Utah Education plans to establish such policies and procedures.

For the 217 students who finished ninth grade at middle school but did not enroll in any high school within the State, the Director of Data and Statistics stated that Utah Education misinterpreted the Department’s reporting guidelines and thought that its ACGR cohort total needed to match the total count of students attending all schools offering twelfth grade. Utah Education officials acknowledged that ninth grade middle school students who were not included at the school reporting level should have been included at the LEA and State reporting levels. Additionally, the Director of Data and Statistics stated that Utah Education would fix the error in future reporting of its four-year ACGR. For the 125 students who were enrolled in special education, vocational, or alternative schools with small cohort sizes, the Director of Data and Statistics stated that Utah Education’s minimum group size for ACGR reporting purposes was 10 students. According to Utah Education officials, these students were excluded from Utah Education’s ACGR to protect the students’ personal information. However, we determined school size was not a criterion consistently applied by Utah Education because some of the schools reported between 15 and 58 students and were still excluded from Utah Education’s ACGR submission to the Department. In addition, although cohort sizes for some schools may be too small to report at the local level, we concluded that the students should have been included in the State-level ACGR.

By excluding the 342 students from the denominator and including the 322 students who earned the adult education secondary diploma in the numerator, Utah Education’s reported SY 2014–15 ACGR was 1.3 percentage points higher than it should have been.

Recommendations

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

- 2.1 Revise the methodology for calculating the ACGR so it is consistent with Federal requirements for calculating the ACGR. Specifically, revise the methodology so that students cannot be removed from a cohort for unallowable reasons and so that

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students are not counted as graduates if they earn a diploma or certificate that does not meet the Federal definition of a regular high school diploma.

2.2 Document its policies and procedures related to calculating and reporting the ACGR to the Department in accordance with Federal requirements.

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

Utah Education Comments

Utah Education agreed with the finding and identified corrective actions that it is taking for each recommendation. In its response, Utah Education stated it has corrected the calculation of the graduation rate by assigning each student to a school or linking that student to the State in the ACGR calculation. Utah Education also stated that it will document its policies and procedures related to the calculation and reporting of the ACGR to ensure compliance with Federal regulations and the definition of a regular high school diploma, and provide training to LEAs to ensure accurate reporting. Finally, Utah Education stated it will review prior year ACGR calculations in conjunction with the Department and either correct or note that the ACGR was not accurate (see [Appendix C. Utah Education Comments](#)).

OIG Response:

Utah Education's corrective actions, if properly implemented, should address our recommendations.

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Appendix A. Scope and Methodology

We reviewed Utah Education’s system of internal controls related to the calculating and reporting of the ACGR. Our review covered the ACGR for the SY 2014–15 cohort, which included students who were first-time ninth graders in SY 2011–12 and the period of time Utah Education used to calculate the ACGR.

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

- Reviewed applicable State regulations, guidance, and protocols related to the ACGR to ensure they aligned with and complied with Federal regulations and guidance.
- Reviewed the State’s internal controls over the collection and reporting of ACGR data in the student cohort tracking system, UTREx.
- Interviewed State officials responsible for monitoring ACGR data and providing related technical assistance to the LEAs and reviewed their monitoring protocols and tools to determine whether they adequately assessed the reliability of ACGR data.
- Interviewed State officials who manage UTREx and apply the ACGR calculation to the student data to gain an understanding of the methodology Utah Education used in its ACGR calculation.
- Determined the extent of Utah Education verification of cohort graduate data at both the State and LEA levels.
- Identified training provided to Utah Education and LEA employees, including letters, presentations, and guidance, for the submission of student cohort data and evaluated the effectiveness of the training.
- Judgmentally selected two LEAs in Utah for review and performed the following procedures at each LEA:
 - gained an understanding of internal controls related to the ACGR;
 - reviewed LEA-level policies and procedures related to the ACGR;
 - interviewed key LEA officials responsible for monitoring and oversight of local ACGR data;
 - interviewed the certified public accountants who performed the Agreed Upon Procedures engagements for Alpine and Washington, and reviewed the results of specific sections of the Agreed Upon Procedures guide that were related to the ACGR; and

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- o sampled graduates and students who were removed from the cohort (see “Sampling Methodology” below).

State and LEA Selections

Utah is one of three States we selected for a series of audits to assess whether States implemented systems of internal control over calculating and reporting graduation rates sufficient to provide reasonable assurance that reported graduation rates were accurate and complete. We judgmentally selected Utah because its ACGR numerator (reported graduates) had the second highest percentage growth (13 percent) between SYs 2011–12 and 2014–15. We selected 2 LEAs, Alpine and Washington, from 25 LEAs in Utah that had a cohort size of 200 or more. Similar to our process for selecting Utah, we selected the LEAs with the two largest growth of the local ACGR numerator. Alpine had 29-percent growth and Washington had 25-percent growth.

Sampling Methodology

We performed testing on two random samples of students from each of the selected LEAs. We selected random samples from two different recorded outcomes: (1) students recorded as graduates and (2) students recorded as removed from the cohort that were not included in the ACGR calculation. Tables 6 and 7 show the universe and sample size of the testing performed at the two selected LEAs. Sample sizes depended on universe size and our assessment of risk. The results from our testing, covered in Finding No. 1 of this report, pertain only to the LEAs and students sampled and cannot be projected to the entire universe of students.

Table 6. Sample Sizes for Testing at Alpine School District

Student’s Recorded Outcome	Universe from Alpine	Sample Size
Graduate	4,503	44
Removed from Cohort	477	42

Table 7. Sample Sizes for Testing at Washington County School District

Student’s Recorded Outcome	Universe from Washington	Sample Size
Graduate	1,743	43
Removed from Cohort	279	42

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The sample testing consisted of the following:

- testing the accuracy of how LEAs coded the sampled students and
- assessing the sufficiency of documentation that supported the removal of a student from the cohort or graduate status of a student, such as a transcript, an official letter from a private school, youth service center, or an out-of-State school confirming student transfer.

We conducted site visits at Utah Education in Salt Lake City, Utah, from October 24, 2017, through October 27, 2017, and March 19, 2018, through March 22, 2018. We conducted site visits at Washington from January 29, 2018, through February 1, 2018, and at Alpine from February 26, 2018, through March 1, 2018. We held an exit conference with Utah Education on August 6, 2018, to discuss the results of the audit.

We assessed Utah Education's internal controls over calculating and reporting graduation rates by reviewing Utah Education's policies and procedures, training provided to Utah Education staff and LEAs, and other relevant documents; testing various cohort samples; and interviewing Utah Education and LEA officials. We determined that Utah Education's system of internal controls did not provide reasonable assurance that reported graduation rates were accurate and complete, which we fully reported in Finding Nos. 1 and 2.

Use of Computer-Processed Data

We relied, in part, on computer processed data from Utah Education's archive file of ACGR data for the SY 2014–15 graduation cohort. We reconciled the archive file with the information that was submitted to the Department as part of Utah Education's SY 2014–15 Consolidated State Performance Report. During this process, we found that Utah Education inappropriately excluded students from the SY 2014–15 cohort reported to the Department, which we fully reported in Finding No. 2 above. We used the reconciled information to select our samples for testing at the LEAs. Based on the work performed, we determined the information was sufficiently reliable to be used in meeting the audit objective.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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Appendix B. Acronyms and Abbreviations

ACGR	adjusted cohort graduation rate
Alpine	Alpine School District
Agreed Upon Procedures	State Auditor’s “Guide for Agreed Upon Procedures Engagements for LEAs and Community-Based Organizations”
C.F.R.	Code of Federal Regulations
Department	U.S. Department of Education
Department guidance	High School Graduation Rate Non-Regulatory Guidance (2008)
ESEA	Elementary and Secondary Education Act of 1965
ESSA	Every Student Succeeds Act
Green Book	The U.S. Government Accountability Office’s “Standards for Internal Control in the Federal Government”
LEA	local educational agency
SY	school year
Utah Education	Utah State Board of Education
UTREx	Utah eTranscript and Record Exchange
Washington	Washington County School District

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Appendix C. Utah Education Comments



UTAH STATE BOARD
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October 26, 2018

Alice Frazier, CPA
Regional Inspector General for Audit
US Department of Education
Office of Inspector General
New York/Dallas Region

Dear Ms. Frazier:

We appreciate the opportunity to respond to the findings and recommendations in the audit report "Calculating and Reporting Graduation Rates in Utah Control Number ED-OIG/A06R0004. The Utah State Board of Education (USBE) appreciates the recommendations as opportunities for improvement that will benefit the students and citizens of the State of Utah.

Finding 1 Utah Education's System of Internal Control Did Not Provide Reasonable Assurance that Reported Graduation Rates Were Accurate and Complete

The USBE concurs with this finding. The Board of Education is in the beginning phases of revising and reworking data collection policies, standards for submission, and methodologies while creating the Utah Schools Information Management System (USIMS). Part of this process is to clearly define data elements, use of the data elements, and required supporting documentation, if applicable. The implementation team will include an LEA certification attesting to the effectiveness of LEA systems of internal control and the accuracy and completeness of data for annual data submissions.

The Board will create a data dictionary that will provide the foundation for training to ensure consistency and reliability of LEA data. USBE will consider if any data elements or definitions need incorporation into board rule to ensure data collection consistency, reliability, and frequency and use in the calculation of the graduation rate. The USBE will develop written training materials and initiate training sessions for LEAs regarding student entry and exit from cohorts. This will occur before the 2019-2020 school year begins.

The USBE will develop a risk based monitoring protocol to monitor annual data submissions and work with the Utah State Auditor's Office to revise the Agreed Upon Procedures document to focus on risk areas associated with student entry and exit from cohorts. The USBE will develop a process to effectively follow up on the AUP.

Risk based monitoring and use of analytics can be implemented in the 2018-2019 school year to monitor year end submissions and the calculation of the graduation rate. The revision of the AUP and revised monitoring protocol will be implemented for the 2019-2020 school year.

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ED-OIG/ A06R0004

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Finding 2 Utah Education Did Not Calculate Its ACGR in Accordance with Federal Requirements

The USBE concurs with this finding. The USBE has corrected the calculation of the graduation rate by assigning each student to a school, or linking that student to the state in the rate calculation. The USBE will document its policies and procedures related to the calculation and reporting the ACGR to ensure compliance with federal regulations and the definition of a regular high school diploma. These policies will be developed and LEAs will be trained before the end of the 2018-2019 school year to ensure accurate reporting for the 2018-2019 ACGR rate.

The USBE will review prior year ACGR calculations in conjunction with the US Department of Education and either correct or note the ACGR was not accurate. This will be completed before the end of the 2019-2020 school year.

The USBE is committed to continuous improvement and we appreciate the collaborative efforts of the OIG staff in providing this feedback to help ensure Utah students are prepared to succeed and lead.

Sincerely,



Scott Jones
Deputy Superintendent
Utah State Board of Education

cc. Rich Rasa, State and Local Advisory Assistance Team
Mark Huntsman, Chair, Utah State Board of Education
Syd Dickson, State Superintendent of Public Instruction, Utah State Board of Education
Patty Norman, Deputy Superintendent of Student Achievement, Utah State Board of Education
Debbie Davis, Director of Internal Audit, Utah State Board of Education