

H. CARL McCALL
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE
COMPTROLLER

December 23, 1999

Mr. Carl T. Hayden
Chancellor
The University of the State of New York
State Education Building
Albany, NY 12234

Re: Report 99-F-48

Dear Mr. Hayden:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by State Education Department (Department) officials as of December 8, 1999, to implement the recommendations contained in our audit report, *State Education Department Accuracy of Selected School District Data* (Report 97-S-62). Our report, which was issued on November 4, 1998, examined the accuracy of data submitted to the Department by six selected school districts, and whether internal controls at the Department and school districts provide adequate assurance that reported data is accurate and reliable.

Background

The State Education Department (Department) obtains extensive data from the approximately 700 school districts throughout the State. The Department publishes much of this data in reports that are available to State policymakers, taxpayers and parents. For example, the Department publishes for each public school building in the State an annual School Report Card with information about its academic performance, as well as comparable information for the district, for all public schools in the State and for similar schools. The Department also annually reports on a range of educational and financial indicators in "A Report to the Governor and the Legislature on the Educational Status of the State's Schools." The Department, State policymakers and taxpayers rely on this data when assessing school districts' performance and allocating State Aid, which amounts to over \$10 billion annually. The Department requires that districts submit completely accurate attendance, enrollment, school lunch program participation, student test scores and financial statement information because of the importance of this information for Department reporting purposes.

Summary Conclusions

In our prior audit, we found errors in school district data in four of the five categories we examined at the six school districts we visited. We found no errors in financial statement data at these six districts. All of the errors we found were attributable to inadequate systems of internal control at both the Department and school districts.

In our follow-up review we found that the Department initiated actions to address our audit recommendations. However, more action needs to be taken; to date these actions generally only constitute partial implementation of our recommendations. For example, a few school districts were provided with workshops on practices and controls related to attendance data, but the Department has not provided the additional guidance that we recommended be given to districts statewide concerning necessary internal controls over the gathering and reporting of attendance and enrollment and school lunch data.

Summary of Status of Prior Audit Recommendations

Of the seven prior audit recommendations, Department officials have fully implemented one recommendation, and have partially implemented the remaining six recommendations.

Follow-up Observations

Recommendation 1

Use a risk-based approach to identify those school districts that are likely to submit inaccurate enrollment and/or attendance data. Periodically visit those districts to verify the accuracy and the reliability of their data.

Status - Partially Implemented

Agency Action - Department officials indicated that in accordance with their revised Tactical Audit Plan for the period July 1, 1999 through June 30, 2000, they are now using a risk-based approach to identify for audit low performing school districts that also have indications of poor financial practices. The audit objectives will include an assessment of the validity and reliability of selected data and the adequacy of management controls in selected areas, such as State Aid, attendance, school report card and the Department's Basic Educational Data System (BEDS) information.

In order to implement the risk-based approach, Department officials told us that they identified a preliminary list of 52 school districts that met the risk criteria and then sought additional information from within the Department in order to prioritize the school districts for audit. The officials told us that they plan to initiate the audits in early January 2000 and that some of the audits will be performed in conjunction with the Office of the State Comptroller's Division of Municipal Affairs.

Auditors' Comments - In addition to using the risk factor of low performance to identify a preliminary list of school districts, the Department should consider using other risk factors such as the strength of a district's overall internal control environment and procedures, the occurrence of any known abuses or misreporting of information, and the competency and experience of district management. A focus limited to the risk of low performance may not result in the most effective application of oversight resources.

Recommendation 2

Investigate the errors in reported attendance identified in this report and make adjustments to State Aid payments as necessary.

Status - Partially Implemented

Agency Action - In November 1998, Department officials performed an analysis to determine the impact the attendance errors cited in our audit report would have on State Aid payments for the four school districts identified in our audit report. The analysis concluded that the overall effect on State Aid from these changes in attendance would be minimal. In December 1998, Department officials sent letters to the four districts, asking each district to submit corrected summary attendance data to the Department's State Aid Unit. At the time of our follow up review, these districts had not responded to the Department. Department officials subsequently followed up with another letter, repeating its request for corrected summary attendance data. Only the Buffalo City School District responded to the Department's second letter. Based on Buffalo's response, Department officials concluded that the corrected data would not significantly impact Buffalo's State Aid.

Auditors' Comments - We note that the Department officials' analysis assumes and only reflects the impact of the exception for the one year sampled in the audit. However, if attendance had been reported inaccurately over a period of years, the impact on State Aid may be more significant. We recommend that the Department review several years of reporting data to identify the rate of exceptions and to estimate the State Aid impacts.

Recommendation 3

Evaluate and implement a cost effective system for periodic, independent reviews and/or audits of the reliability and accuracy of attendance data and the adequacy of attendance reporting systems.

Status - Partially Implemented

Agency Action - As noted above, Department officials told us they have utilized a risk-based approach to identify school districts for audit. The Department's revised Tactical Audit Plan indicates that the objectives of the audits will include assessment of the validity and

reliability of selected data and adequacy of management controls in selected areas such as State Aid, attendance, school report card and Basic Educational Data System information. Department officials told us that they plan to perform some of these audits in conjunction with the Office of the State Comptroller's Division of Municipal Affairs.

Auditors' Comments - See comments under recommendation number 1.

Recommendation 4

Compare enrollment data to other Department information, such as student test scores, to verify its accuracy.

Status - Partially Implemented

Agency Action - Department officials indicated that edits have been built into the Basic Education Data System that allow them to verify enrollment data by comparing it to the number of tests given at various grade levels. However, the officials stated that the utility of the comparison is limited since enrollment is determined on the first Wednesday in October of each year and changes in enrollment may take place between that date and the time the tests are given.

Department officials also indicated that they are in the process of preparing a request for proposal for development of STARS (Student Testing and Accountability Reporting System). As part of this system, a unique student identifier will be assigned to each student, allowing the Department to track students throughout their educational careers regardless of where they move. Officials believe that this system will provide them with an effective tool with which to verify the accuracy of enrollment data provided by the schools. The officials expect to implement STARS initially at the high school level, with implementation to follow in grades pre-kindergarten through grade 8.

Recommendation 5

Determine whether and to what extent the lack of reliability over Grade 7 and above FRPL impacts on the comparisons in the Report Card. If the impact is material, modify criteria for Report Card comparisons. Disclose on the Report Card the limitations inherent in the use of FRPL data.

Status - Partially Implemented

Agency Action - Department officials indicated that they analyzed how schools should be grouped for the comparisons presented in the Report Card and believe that the current method represents the best way to define these groups. Department officials agree with us that FRPL data may not be reliable for older students as they may avoid participating in the program due to social concerns. However, they believe that the current groups are reasonable because they compare schools with similar grade levels. Therefore, all things

being equal, the percent of older eligible students not participating in FRPL should be similar among all school districts. Department officials have added clarifying language regarding the use of FRPL data in a Department publication entitled "Understanding Your School Report Card." The language states that, "The measure of student poverty is the proportion of children in the school who participate in the free lunch program. Free lunch participation declines in higher grades; nonetheless, since groups are composed on schools serving similar grades, we believe this is a valid approach."

Recommendation 6

Consistent with our recommended practices for school districts, provide guidance to school districts concerning necessary internal controls relating to the gathering and reporting of attendance, enrollment and school lunch data.

Status - Partially Implemented

Agency Action - Since our audit, Department officials indicated that they have held three workshops at various school districts, where some of these internal control issues were discussed. For example, in August 1998, Department officials held a workshop addressing attendance, among other things, for component school districts of the Delaware-Chenago BOCES. In November 1998, a one day workshop on attendance, State Aid and data collection and reporting was held for officials of the Hudson City School District. In September 1999, an attendance workshop was held for officials of the Buffalo City School District. In addition, the Department conducted half-day regional statewide meetings during September 1999 to discuss, among other things, free and reduced price meal applications and verification procedures.

Auditors' Comments - We continue to urge the Department to provide statewide guidance concerning the necessary internal controls.

Recommendation 7

To the extent possible, require that standardized tests are scored and reported to the Department by someone independent of school districts. At a minimum, require that school districts adequately separate duties so that classroom teachers are not responsible for scoring their own students' tests.

Status - Implemented

Agency Action - Department officials indicated they have implemented two new methodologies, regional scoring and team scoring, to score students' tests. Regional scoring relies on collaboration among the Department, BOCES and the district offices of the large city schools to score students' tests at approximately 80 regional sites. Test papers are distributed so that all teachers score papers from a range of schools. While teachers may

score some of their own classroom papers, they would only be scoring one section of the test. In January 1999, the Grade 4 and 8 English tests were regionally scored. The Department plans to use this methodology for test administrations in 1999 and 2000. Scoring procedures for subsequent years will be determined based on that experience.

Department officials also indicated that Regents examinations as well as the other standardized tests will now be team scored. In team scoring, each section of the examination is graded by a minimum of two persons to arrive at a test score. If agreement can't be reached by these two individuals, a third person scores the test and this score is used in computing the final score.

Major contributors to this report were Brian Mason, Karen Bogucki and Tom Kulzer.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We also thank Department management and staff for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Jerry Barber
Audit Director

cc: Charles Conaway