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March 21, 2006

Control Number
ED-OIG/A06F0020

Dr. Shirley J. Neeley
Commissioner of Education
Texas Education Agency
1701 North Congress Avenue
Austin, TX 78701

Dear Dr. Neeley:

This **Final Audit Report**, entitled *Data Quality Review of the Texas Consolidated State Performance Report* presents the results of our audit. The purpose of the audit was to determine whether the Texas Education Agency's required reporting of dropout and graduation rates in the 2003-2004 Consolidated State Performance Report were supported by reliable data and met the requirements of the Elementary and Secondary Education Act (ESEA). Our review covered the reporting period of July 1, 2003 – June 30, 2004.

BACKGROUND

Sections 9302 and 9303 of the ESEA, as amended by the No Child Left Behind Act of 2001 (NCLB) provide to States the option of applying for and reporting on multiple ESEA programs through a single consolidated application and report.

The Consolidated State Performance Report includes the following ESEA programs:

- Title I, Part A, Part B, Subpart 3, Part C, Part D, and Part F
- Title II, Part A and Part D
- Title III, Part A
- Title IV, Part A, Subparts 1 & 2 and Part B
- Title V, Part A
- Title VI, Section 6111 and Part B

The NCLB Consolidated State Performance Reports (CSPR) consist of two information collections. Part I of the CSPR must be submitted in January and provide information from the prior school year related to the five ESEA Goals. Part II of the CSPR, due to the Department by

April 15, consists of information related to State activities and the outcomes of specific ESEA programs. The five ESEA Goals established in the June 2002 Consolidated State Application were as follows:

- **Performance Goal 1:** By 2013-2014, all students will reach high standards, at a minimum attaining proficiency or better in reading/language arts and mathematics.
- **Performance Goal 2**: All limited English proficient students will become proficient in English and reach high academic standards, at a minimum attaining proficiency or better in reading/language arts and mathematics.
- **Performance Goal 3**: By 2005-2006, all students will be taught by highly qualified teachers.
- **Performance Goal 4**: All students will be educated in learning environments that are safe, drug free, and conducive to learning.
- **Performance Goal 5**: All students will graduate from high school.

Texas has a comprehensive data collection system to gather information on their students, Public Education Information Management System (PEIMS). The first PEIMS data collection took place in the fall of 1987. Districts were responsible for reporting organizational, financial, and staff information. The following year, dropout records became the first individual student data records submitted through PEIMS. A Person Identification Database system was implemented shortly thereafter, enabling records for an individual to be linked across collections by matching identification information. With student-level data and a system for linking student records, Texas Education Agency (TEA) could produce automated aggregations of campus-, district-, and state-level information.

In the early 1990s, districts began submitting student-level enrollment and graduation records. This information, combined with the dropout record, enabled TEA to analyze different statuses attained by students on an annual basis. It also became possible to consider tracking student progress across multiple years. According to the TEA Department of Accountability and Data Quality, as PEIMS continued to evolve, refinements in data collection, processing, and reporting helped meet the growing demand for reliable information about public education. By the late 1990s, districts provided information on all students who left the district, not just students who dropped out or graduated. With this information, TEA had the means to calculate a longitudinal graduation rate or the rate of graduation for students as they progressed through Grades 9-12 of high school. The group of students who progress from Grade 9-12 are called a cohort.

The definitions below are terms used when discussing the cohort.

- **Graduate** – An individual who has completed high school and has received formal recognition from school authorities.
- **Leaver** – The status of a student who was enrolled or in attendance during a school year. Each fall, returning students are reported on enrollment records and students who left during the previous year or did not return are reported on "leaver records" describing the circumstances of a student's departure. School leavers are categorized as dropouts, or students who withdraw to: (a) enroll in other public or private schools in the state; (b) enroll in schools outside the state; (c) enroll in colleges or GED preparation programs; or (d) enter home schooling.

- **Cohort** - Students who started high school (i.e., ninth grade) plus student transfers in, less student transfers out in year Y; plus student transfers in, less student transfers out in year Y+1; plus student transfers in, less student transfers out in year Y+2; plus student transfers in, less student transfers out in year Y+3.

For our review, we selected the three largest school districts in Texas--Dallas Independent School District (DISD); Fort Worth Independent School District (FWISD); and Houston Independent School District (HISD)-- and visited the three largest high schools within those districts.

AUDIT RESULTS

TEA met the requirements of ESEA by reporting dropout and graduation rates. We determined that for the nine schools reviewed, TEA collected generally reliable data to support the dropout rates reported in the 2003-2004 CSPR. However, data used to compute graduation rates were not as reliable. In its comments to the draft report, TEA concurred with our recommendation. The full text of TEA's comments on the draft report is included as an Attachment to the report.

FINDING – Graduation Rates Were Not Always Reliable

Although TEA data for dropout rates were generally reliable, graduation rates reported in the 2003-2004 CSPR were not always verifiably reliable. Specifically, we determined the data in the first three years of the cohort leavers reviewed were not sufficiently accurate to produce reliable data. However, the data for the fourth year of the cohort leavers were sufficiently accurate and reliable. Therefore, we determined the low rate of deficient support, as discussed below, to be within acceptable levels and determined the data were generally reliable.

The annual dropout rate is calculated by dividing the number of grade 9-12 dropouts during the school year by the total number of students served in those grades during the school year. To review data factored into the annual dropout rate calculation, we selected a sample of 310 students from the 9-12 grade leavers for the reporting year. These leavers included transfers between Texas districts, transfers out of Texas, and dropouts, among others. Of the leaver records reviewed, 19 (6 percent) had inadequate or no supporting documentation. Without sufficient supporting documentation we could not determine the accuracy of the leaver codes. However, we found the six percent error rate to be within acceptable levels and determined the data were verifiably reliable.

Graduation rates are calculated by dividing the number of graduates in the reporting year by the cohort for that year. To review data used in the graduation rate calculation, we selected two samples. The first sample was of the cohort graduates in school year 2002-2003 and the second sample was of leavers over the four-year cohort period, school years 1999-2000 through 2002-2003.

- The graduate sample data populate the numerator of the cohort graduation rate formula. All of the 364 graduate records reviewed were fully supported. We determined the data were verifiably reliable.
- The cohort leavers' sample data populate the denominator of the cohort graduation rate formula. Of the 132 cohort leaver records reviewed, 41 (31 percent) had inadequate or no supporting documentation. Without sufficient supporting documentation we could not determine whether the leaver codes were accurate. Additional analysis showed that 90 percent of the supporting document deficiencies occurred in the first three years of the cohort with only 10 percent occurring in the fourth year. The reduced supporting document deficiencies were the result of TEA and district implementation of improved leaver data procedures during 2000-2002. We determined the data in the first three years of the cohort were not sufficiently accurate to produce reliable data. However, the data for the fourth year of the cohort leavers was sufficiently accurate and verifiably reliable.

These deficiencies occurred because of inadequate guidance, training, and monitoring. TEA and the districts we reviewed identified leaver data deficiencies. They responded with increased oversight and implemented improved procedures for leaver data management through additional training, more detailed guidance and procedural manuals, and increased monitoring. Examples of increased oversight and improved procedures were:
- District provided training that specifically addressed leaver data management issues, such as registrar training each fall for the coming school year.
- TEA updates of PEIMS Standards and the Student Attendance Accounting Handbook, in turn, generated updates in the corresponding district guides and procedure manuals.
- District- and campus-level data audits and monitoring of data quality through periodic reviews of data input, system reports, and comparisons to source documents.

Each of the three districts we reviewed implemented improved procedures in 2000-2001 and/or 2001-2002. Improved procedures resulted in better supporting documentation and increased data accuracy and reliability in 2002-2003. Maintaining continual leaver data process improvement should further increase the accuracy of data in subsequent years.

The No Child Left Behind Act of 2001, Public Law 107-110, enacted January 8, 2002, places emphasis on and strengthens accountability for results. It also increases the importance of the Department having reliable and valid-data. Unreliable data causes graduation and dropout rates to be inaccurate. It is important that the data are reliable because the graduation and dropout rates can be used by the Department, the State, and the public in comparisons with other states' performances. The information can also be used to assess school, district, and State accountability.

Recommendation

We recommend that the Assistant Secretary for Elementary and Secondary Education require TEA to maintain continual leaver data process improvements by increasing oversight of reporting and reliability, and developing and implementing improved procedures and monitoring.

TEA concurred with our recommendation.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether TEA's required reporting of dropout and graduation rates in the 2003-2004 CPSR were supported by reliable data and met the requirements of the ESEA. Specifically, we determined whether the—

- Data for graduates were accurate and documented;
- Leaver data in the cohort were accurate and documented; and
- Leaver data in the reporting year for dropouts were accurate and documented.

To accomplish our objective, we—

- Reviewed written policies and procedures for monitoring school supplied data;
- Reviewed applicable laws, regulations, and other guidance;
- Interviewed officials at TEA and selected school districts; and
- Reviewed student files at the three largest high schools in the selected school districts.

We judgmentally selected DISD, FWISD, and HISD for review because they were the largest districts in the State. For testing purposes, we had TEA extract from PEIMS a database of freshman students in the 2000 academic year class from each of the selected high schools that constituted the cohort group, plus additions and deletions to the cohort. From this extract, we created a database of graduates and another database of leavers from the cohort.

- From the graduates, we drew a random 10 percent sample with a maximum of 50 and a minimum of 10 students for review at each high school from a universe of 4,345 students.
- From the cohort leavers, we drew a 10 percent random sample of students (with the same minimum/maximum as above) that left the cohort at each high school to ensure they were properly classified from a universe of 1,220 students.

We also obtained another extract of students that left school during the 2003-2004 academic reporting year. From this extract, we drew a 10 percent random sample with a maximum of 50 and a minimum of 10 students at each high school to ensure they were properly classified from a universe of 3,161 students.

To achieve our audit objective, we relied, in part, on computer-processed data related to the student information contained in TEA's PEIMS database. We verified the completeness of the data by comparing source records to computer-generated data, and verified the authenticity by comparing computer-generated data to source documents. Based on these tests, we concluded that the data were sufficiently reliable to be used in meeting the audit's objective.

We conducted our fieldwork at TEA, DISD, FWISD, and HISD between June 13, 2005, and September 21, 2005. An exit conference was held with TEA officials on December 15, 2005.

Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

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 Education Department official, who will consider them before taking final Departmental action on this audit:

> Henry Johnson
> Assistant Secretary
> Office of Elementary and Secondary Education
> U.S. Department of Education
> 400 Maryland Ave., SW
> Washington, DC 20202

It is the policy of the U. S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

> Sincerely,

> /s/
> Sherri L. Demmel
> Regional Inspector General
> for Audit

Attachment

TEXAS EDUCATION AGENCY

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Shirley J. Neeley, Ed.D.
   Commissioner

March 10, 2006

Sherri L. Demmel
1999 Bryan Street
Suite 1440
Dallas, Texas 75201

Dear Ms. Demmel:

This letter is in response to your letter of February 10, 2006, Control Number ED-OIG/A06F0020, regarding the results of the draft audit report for the Texas Education Agency (TEA).

With regard to the recommendation:

"We recommend that the Assistant Secretary for Elementary and Secondary Education require TEA to maintain continual leaver data process improvements by increasing oversight of reporting and reliability, and developing and implementing improved procedures and monitoring."

TEA responds:

TEA concurs with the recommendation to maintain continual leaver data process improvements by increasing oversight of reporting and reliability, and developing and implementing improved procedures and monitoring.

Actions include:
1. **Monitor leaver data submissions and apply interventions**
   Description: Under the data integrity component of a performance-based monitoring system, districts with serious and systematic leaver data reporting problems are subject to interventions based on the level of data integrity concern. Emphasis is on a continuous improvement process, in which districts undertake activities that promote improved data reporting, and the agency monitors their progress. Interventions can lead to corrective actions or sanctions.
   Target completion date: Ongoing

2. **Audit of 2001-02 dropout data by independent auditors**
   Description: Every district's 2001-02 leaver data were evaluated by independent auditors. Audit reports were submitted to the agency, and the results provided to the public by the agency.
   Target completion date: Complete

"Good, Better, Best—never let it rest—until your good is better—and your better is BEST!"

3. **Ensure reporting of all leavers**
   Description: The underreported students rate was implemented and integrated into the accountability rating system. The rate measures the completeness of a district's reporting of students served in the prior year by providing current year enrollment or leaver information on each student. Standards on the measure continue to be made more rigorous. Districts failing to meet standards on the measure may receive sanctions and are subject to agency investigation.
   Target completion date: Ongoing

4. **Implement accountability ratings consequences for inaccurate reporting**
   Description: A district with serious and systematic data reporting problems is subject to several accountability ratings consequences: a high accountability rating cannot be earned, the accountability rating can be lowered, and an accountability rating that indicates data integrity issues can be assigned.
   Target completion date: Ongoing

5. **Ensure accurate reporting of student identification information**
   Description: Student records reported with incorrect identification information cannot be matched to other records for the same student, which compromises the ability to produce accurate longitudinal rates. Standards on this measure continue to be made more rigorous. Districts must meet standards for accuracy or submit improvement plans.
   Target completion date: Ongoing

6. **Provide Public Education Information Management System (PEIMS) resources for guidance and training**
   Description: Published annually by TEA, the *PEIMS Data Standards* provide detailed reporting requirements, data element definitions, and TEA contact information. PEIMS coordinators in each regional education service center serve as consultants to the districts in preparing their data submissions, as well as provide training and technical assistance. TEA staff members conduct workshops for districts and regional education service center staff who work with PEIMS data. Software made available to districts shortly after the beginning of each school year enables them to identify data problems and correct data errors before the submission is due. The PEIMS web page provides on-line access to general information about PEIMS, the *PEIMS Data Standards,* other reporting instructions, and contact information for inquiries.
   Target completion date: Ongoing

Sincerely,

Criss Cloudt, Associate Commissioner
Accountability and Data Quality