

# AUDIT REPORT

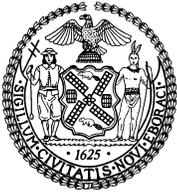


CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF MANAGEMENT AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Audit Report on the Department of Education's Calculation of High School Graduation Rates**

*ME09-065A*

**July 21, 2009**



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.  
COMPTROLLER

**To the Citizens of the City of New York**

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, § 93, of the New York City Charter, my office has audited the Department of Education's (DOE's) calculation of high school graduation rates.

DOE provides primary and secondary education to over one million students, pre-kindergarten to grade-12, in more than 1,400 schools. It prepares students to meet grade-level standards in reading, writing, and mathematics, and prepares high school students to pass Regents exams and meet graduation requirements. Audits such as this provide a means of ensuring that City agencies fulfill their responsibilities and make accurate and reliable information available to the public.

The results of our audit, which are presented in this report, have been discussed with officials of DOE, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at [audit@Comptroller.nyc.gov](mailto:audit@Comptroller.nyc.gov) or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/ec

**Report:** ME09-065A  
**Filed:** July 21, 2009

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*The City of New York  
Office of the Comptroller  
Bureau of Management Audit*

**Audit Report on the Department of  
Education's Calculation of  
High School Graduation Rates**

ME09-065A

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**AUDIT REPORT IN BRIEF**

This audit determined whether the Department of Education (DOE) properly calculated high school graduation rates. DOE provides primary and secondary education to over 1 million students, pre-kindergarten to grade-12, in more than 1,400 schools. To graduate from one of the City's 425 high schools, a general education student must accumulate 44 credits in designated subjects, pass five New York State Regents examinations, and maintain a 90 percent attendance rate. To track the students, DOE identifies a four-year graduation cohort.

The graduation rate is calculated by dividing the number of graduates by the total number of students in the cohort who either graduated, dropped out, or were still enrolled. Only those students who were discharged from the school system during the four years are excluded from the calculation. According to DOE, the 2003-2007 cohort (the focus of this audit) consisted of 88,963 students, including 43,651 graduates, 17,035 still-enrolled, 18,524 discharges, and 9,753 dropouts. Using the City's formula, DOE reported on August 11, 2008, that the four-year graduation rate increased from 58 to 62 percent between 2005 and 2007.

**Audit Findings and Conclusions**

Our audit revealed that DOE needs to institute stronger controls to ensure that official records corroborate the classification of students as graduates. Our review of 197 sampled graduates found that the transcripts for 19 (9.6%) of them did not appear to have evidence that the students had the required number of credits overall, or in major subjects, or had passed all of the required Regents examinations needed to graduate.

Subsequently, DOE provided internal documents from the schools for the students cited. For the most part, we were not provided with in-house transcripts or permanent record cards to indicate that the requirements for graduation were met. Notwithstanding this lapse, the documentation provided for all but two of the students appears to support the graduation status of these students. However, in a number of instances we are unable to determine with reasonable assurance that the documentation provided to us was actually reviewed by the schools at the time the decisions to graduate the students were made.

We found that schools are given considerable authority with minimal oversight by DOE in determining whether State and DOE graduation standards are met. The audit also found that schools awarded students multiple credits for passing the same course two or more times, made questionable changes to student transcripts, and did not maintain evidence that all transcript changes were properly approved. Moreover, transcripts were changed after graduation, and it appears that some students were classified as discharged without adequate evidence to support that classification. Finally, the audit found that the parameters set by the State for classifying students as dropouts, if not followed by DOE in a timely manner, result in a reported dropout rate that does not account for all students who have actually dropped out of school.

DOE did, however, establish a system of internal quality control reviews (i.e., data reliability checks) in an effort to ensure the accuracy of its graduation rate calculation. DOE also engaged an external audit firm to perform some agreed-upon procedures to assist in the validation of the graduation rate.

### **Audit Recommendations**

To address these issues, we make 12 recommendations, including that DOE:

- Establish that data in the DOE transcript system reflects that a student has met graduation requirements before a diploma is given.
- Implement controls to ensure that schools make sure that the transcripts and permanent record cards of general education graduates reflect that they have accumulated the required number of credits overall, and in major subjects, and have passed all required Regents examinations.
- Ensure that all grade and exam score changes made to student transcripts are permanently traceable in the DOE transcript system.
- Implement controls to ensure that schools only classify students as having been discharged when the discharge has been appropriately documented, and ensure that it is properly recorded in the DOE attendance system.
- Implement controls to ensure that schools follow the proper protocol and follow up in a timely manner with students who do not attend school.

### **Agency Response**

In its response, DOE generally agreed with nine recommendations, disagreed with one, and did not address two. However, DOE disagreed with many of the findings upon which the recommendations are based.

## INTRODUCTION

### Background

The Department of Education (DOE) provides primary and secondary education to over 1 million students, pre-kindergarten to grade-12, in more than 1,400 schools. It prepares students to meet grade-level standards in reading, writing, and mathematics, and prepares high school students to pass Regents exams and meet graduation requirements. To meet this goal, the Chancellor established 12 critical objectives, one of which is to increase graduation rates and decrease dropout rates for high school students.

To graduate from one of the City's 425 high schools, a general education student must accumulate 44 credits in designated subjects, pass five New York State Regents examinations, and maintain a 90 percent attendance rate. To track the students, DOE identifies a four-year graduation cohort with two groups, the General Education cohort and the Special Education cohort. A cohort consists of students who entered 9<sup>th</sup> grade in the same school year plus those who later entered the school system in the 10<sup>th</sup>, 11<sup>th</sup>, or 12<sup>th</sup> grade and were expected to graduate at the same time. The General Education cohort includes students in general education classes and special education students who receive supplemental assistance and support services in a general education setting. Some special education students are expected to meet the same graduation requirements as general education students, while others are held to a modified standard as specified in their Individualized Education Program (IEP)<sup>1</sup>. The Special Education cohort consists of students in self-contained special education classes, including District 75. The 2003-2007 cohort, which is the focus of this audit, consists of all students who entered high school on or after September 1, 2003, and were expected to graduate by August 31, 2007.

DOE uses two computer systems, the High School Scheduling and Transcripts (HSST) system and the Automate the Schools (ATS) system, to track student schedules, performance, and attendance. HSST is used to record students' schedules, grades, and transcripts. ATS is used to record students' biographical information, admission and discharge data, attendance, and status. These two systems interface daily to regularly update the data stored in both systems. The data is used to calculate the high school graduation rate, which becomes a crucial indicator of the success of the public school system.

Two DOE units are involved in the graduation-rate calculation process. The Division of Information and Instructional Technology (DIIT), which is responsible for the HSST and ATS systems, compiles the student population database for the graduation cohort. Using this database, the Research and Policy Support Group (RPSG) performs the graduation rate calculations.

DOE engaged the CPA firm Ernst & Young to perform certain agreed-upon procedures to assist DOE in validating the accuracy of its high school graduation rate calculations for the years 2005, 2006, and 2007.

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<sup>1</sup> An IEP includes all of the goals, objectives, present levels of performance and related services that are recommended for a student receiving special education and related services.

The graduation rate is calculated by dividing the number of students in the cohort who graduated by the total number of students who were in the cohort as of June of the fourth year of the cohort. The cohort is made up of the following four categories of students:

- Graduates: received a high school diploma, GED, or special education certificate by June or August 2007.
- Still-enrolled: still on register and scheduled to continue into a fifth year of high school in fall 2007.
- Dropouts: left the school system without enrolling in another education program that leads either to a high school diploma or prepares the student for the Test of General Educational Development leading to a general equivalency diploma (GED).
- Discharges: left the school system primarily to enroll in another educational program or setting. Also includes those who aged out of the school system (i.e., reached the age of 21) or died prior to completing high school.

Only those students who were discharged from the school system during the four years are excluded from the calculation. The City and the State have used different methodologies to calculate graduation rates. The City included in its graduation rate formula students who earned General Equivalency diplomas and students in general education classrooms who earned IEP diplomas, neither of which the State included. The State included students who received special education services in separate classrooms, a group which the City did not include.

There are four possible outcomes for a student in a cohort at the end of the four-year period: graduated, still-enrolled, discharged, or dropped out. According to DOE, the 2003-2007 cohort consisted of 88,963 students, including 43,651 graduates, 17,035 still-enrolled, 18,524 discharges, and 9,753 dropouts. Using the City's formula, DOE reported on August 11, 2008, that the four-year graduation rate increased from 58 to 62 percent between 2005 and 2007.

### **Objectives**

The objective of this audit was to determine whether DOE properly calculated high school graduation rates.

### **Scope and Methodology**

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. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was the Class of 2007, which includes students who entered a City public high school on or after September 1, 2003, and were expected to graduate by August 31, 2007.

To gain an understanding of the 2007 graduation rate calculation, the New York State and New York City graduation rate calculation policies and procedures, the DOE Graduation Rates Class of 2007 report, and the Regulations of the Chancellor were reviewed. We interviewed DIIT officials to gain an understanding of the process of compiling student data for the cohort and RPSG officials to gain an understanding of the graduation-rate calculation process.

To gain an understanding of the process of updating student transcripts, we reviewed the HSST manual and interviewed school officials. To gain an understanding of the controls in place to prevent unauthorized changes of student information, officials in charge of ATS and HSST databases were interviewed.

To ensure that the computer processed data were complete and accurate, the computer program language used to compile the list of all students in the 2003-2007 cohort was examined and cohort data reviewed for invalid deletions or entries. The accuracy of an ATS database file listing of students in the 2003-2007 cohort was checked by reviewing student files at ten sampled schools.

We interviewed principals, assistant principals, guidance counselors, and program chairs at five schools, one from each borough. The schools were randomly selected from stratified groupings of schools based on graduation rates. We also reviewed the level of access to HSST and ATS of selected officials at those schools. In addition, to determine whether changes made to student transcripts by school officials were properly approved, had proper supporting documentation, and had an audit trail in the HSST system, we reviewed student transcript update forms completed by the schools and examined change logs printed from HSST. Furthermore, to determine whether students in the cohort were properly categorized, we randomly selected a preliminary sample of students from each of the five sampled schools and examined their transcripts and attendance records in the hardcopy student files at the schools and on HSST and ATS.

Based on the results of our review of the appropriateness of the categorization of the students in our preliminary sample, we randomly selected a sample of 206 graduates from the population of 43,651 graduates and 77 still-enrolled from the population of 17,035 still-enrolled. DOE provided these populations to us in an ATS database file. We determined whether the sampled graduates accumulated 44 credits, including 8 credits in English, 8 credits in social studies (including 4 credits in global history, 2 credits in U.S. history, 1 credit in economics, and 1 credit in participation in government), 6 credits in science, 6 credits in mathematics, 2 credits in a second language, and at least 14 additional credits in a variety of other subjects, and had a passing grade of at least 55 in each of five Regents examinations. We also reviewed the graduates' transcripts and attendance records before graduation to ensure that they attended high school and after graduation to ensure that they did not have classes scheduled after graduation. Furthermore, to ensure that our sample of still-enrolled students was properly categorized, we

examined their transcripts for evidence of class schedules in the fall of 2007. Their attendance records in ATS were also examined.

To determine whether students classified as discharged were actually still enrolled or had dropped out, we visited five additional schools (randomly selected from stratified groupings of schools based on the numbers and percentages of discharged students) and randomly selected 16 discharged students in the 2003-2007 cohort at each school. Student files were reviewed for proof of discharge, such as any supporting documentation from the schools to which the students reportedly transferred. Dropouts were not tested since there is a very low risk of schools over-reporting the number of students in this category.

We interviewed engagement auditors at Ernst & Young to gain an understanding of the agreed-upon procedures they conducted for DOE. We also reviewed the agreed-upon-procedures reports issued by them and examined the contract between DOE and Ernst & Young. To determine whether any actions were taken by DOE regarding the issues raised by DOE staff related to a 2005 graduation rate recalculation, we obtained and reviewed DOE memoranda discussing issues that led to that recalculation and interviewed appropriate DOE officials.

The results of the above tests, while not projected to their respective populations, provided a reasonable basis for us to assess the adequacy of DOE's calculation of high school graduation rates.

After we issued the draft report to the agency and received its response, we identified a few minor mathematical errors in the report that we have corrected in this final report. These errors, however, had no impact on any of the audit's findings.

### **Discussion of Audit Results**

The matters covered in this report were discussed with DOE officials during and at the conclusion of this audit. A preliminary draft report was sent to DOE officials on May 11, 2009, and was discussed at an exit conference held on May 29, 2009. A draft report was sent to DOE officials on June 8, 2009, with a request for comments. We received a written response from DOE officials on June 22, 2009.

In its response, DOE generally agreed with nine recommendations, disagreed with one, and did not address two. However, DOE challenged many of the findings upon which the audit's recommendations are based. Unfortunately, in addition to presenting some legitimate differences of opinion concerning our conclusions, DOE's response includes numerous misrepresentations and obfuscations, including a gross misrepresentation of the audit process.

DOE argues at considerable length with the content of the *preliminary* draft of our report, an informal working document intended to permit an agency to provide explanations or clarifications of potential audit findings. For this audit, we shared potential findings with DOE through an e-mail dated April 17, 2009, and again at a preliminary findings meeting held with DOE on April 21, 2009. Because DOE took an inordinate amount of time to respond to these findings, we issued the preliminary draft report on May 11, 2009, as noted above, hoping that

DOE would respond by the time of the exit conference, which was held on May 29, 2009. To the extent that DOE presented credible information to us at the exit conference or thereafter, we revised the draft report appropriately. This is how the audit process is designed to work, as routinely recognized by DOE when it has responded to other Comptroller's audits. However, arguing with preliminary findings that were not even present in the formal draft report is an unhelpful, misleading, and wasteful exercise. Had DOE provided its explanations prior to the issuance of the preliminary draft report, as we requested, we would have revised the report accordingly. Instead, DOE has invented a purely imaginary scenario in which we had planned to report our preliminary findings to the public until DOE "confronted" us with its positions on these findings.

Even when DOE appropriately focuses on the findings in the draft report, it often misrepresents the audit's arguments. For example, DOE states that the auditors assumed that the HSST transcript was the only official record of a student's academic performance. However, this assertion is contradicted by DOE's acknowledgement that we accepted non-HSST documents as indications that students met graduation requirements. Tellingly, DOE refuses to acknowledge or address one of the primary findings of this report, that by not requiring each school to use the High School Scheduling and Transcripts system, by allowing each school to design its own system for maintaining academic records, and by permitting schools to exercise weak internal controls over grade changes, DOE creates opportunities at the schools for inappropriate modifications of students' academic records.

A detailed discussion of the DOE response is included as an appendix to this report, and the full text of the DOE response follows the appendix as an addendum.

## FINDINGS AND RECOMMENDATIONS

Our audit revealed that DOE needs to institute stronger controls to ensure that official records corroborate the classification of students as graduates. Our review of 197 sampled graduates found that the transcripts for 19 (9.6%) of them did not appear to have evidence that the students had the required number of credits overall, or in major subjects, or had passed all of the required Regents examinations needed to graduate.

DOE provided internal documents from the schools for the students cited. For the most part, we were not provided with in-house transcripts or permanent record cards to indicate that the requirements for graduation were met. Notwithstanding this lapse, the documentation provided for all but two of the students appears to support the graduation status of these students. However, in a number of instances we are unable to determine with reasonable assurance that the documentation provided to us was actually reviewed by the schools at the time the decisions to graduate the students were made.

As a result, student grades and other data recorded in official permanent records by the schools cannot always be relied upon to support the decisions to graduate students. Therefore, DOE is unable to use these records to ensure that only those students who meet graduation requirements are graduated.

We also found that schools are given considerable authority with minimal oversight by DOE in determining whether State and DOE graduation standards are met. DOE allows a policy called “annualization” to help students reach course credit requirements without establishing sufficient controls over how it is used. Additionally, schools (1) awarded students multiple credits for passing the same course two or more times, (2) made numerous changes to transcripts without sufficient explanation, and (3) did not maintain evidence that all transcript changes were properly approved. Moreover, it appears that some students were classified as having been discharged without adequate evidence to support that classification. Finally, the audit found that the parameters set by the State for classifying students as dropouts, if not followed by DOE in a timely manner, result in a reported dropout rate that does not account for all students who have actually dropped out of school.

DOE did, however, establish a system of internal quality control reviews (i.e., data reliability checks) in an effort to ensure the accuracy of its graduation rate calculation. DOE also engaged an external audit firm to perform some agreed-upon procedures to assist in the validation of the graduation rate.

### **Graduation Status of Some Students Are Not Adequately Supported in Permanent Records**

Our analysis revealed that DOE did not have sufficient controls in place to ensure that graduation data were accurately reported by schools in students’ permanent records. As a result, the HSST or school transcripts of a number of graduates in our sample did not contain evidence

that the students had the required number of credits overall, or in major subjects, or had passed all of the required Regents examinations needed to graduate.

According to Chancellor Regulation A-501:

“For high school graduation, [Class of 2007] students must:

1. Achieve passing grades [of 55 or above] on New York State Regents Examinations: English, Mathematics, Global History, U.S. History and Government, and Science. . . .
2. Accumulate 44 credits, including 8 credits in English, 8 credits in Social Studies, consisting of Global History (4 credits), U.S. History and Government (2 credits), Economics (1 credit), and Participation in Government (1 credit); 6 credits in Science; 6 credits in Mathematics; 2 credits in Second Language; . . .
3. Attain 90% attendance.”

To determine whether graduates met the Chancellor’s graduation requirements, we randomly selected 206 of the 43,651 graduates in the cohort. Of the 206 graduates, 8 graduated with a GED, one graduated with an Individualized Education Program (IEP) diploma, and 197 graduated with a local or Regents diploma. Because the nine GED and IEP graduates did not need to meet the graduation requirements noted above, we reviewed student transcripts and attendance records in HSST and ATS for the remaining 197 students.

Our analysis revealed that the transcripts of 19 (9.6%) of the 197 sampled graduates did not appear to have sufficient evidence to show that the students accumulated the required numbers of credits or passed the required Regents examinations needed to graduate.

On April 17 and May 22, 2009, we notified DOE that the transcripts for these students did not contain evidence that the students fully complied with diploma requirements and asked that they investigate their status. For two of the 19 students, DOE provided us with different in-house transcripts it obtained from the schools. (One school did not use HSST at all while the other school started using it in the student’s final year.) For the remaining 17 students, the only transcripts we were provided were the ones generated from HSST. For these students, DOE provided evidence it obtained from the schools to demonstrate that these students met the diploma requirements for graduation.

Our review of the materials DOE obtained from the schools appears to support the graduation status of 17 of the 19 students. For the remaining two students, DOE provided insufficient evidence that diploma requirements were met. For one student, there is no evidence that the required credits for a second language were obtained. In its response to this finding, DOE referred to the student passing a second language proficiency exam and a State regulation that allows a student up to two credits for passing the exam. However, this regulation refers to students who take the exam in the eighth grade (i.e., middle school) and this student’s transcript indicates that he took the exam in the ninth grade. Accordingly, this finding remains. For

another student, her transcript indicated that she was missing one credit for global history. In its response to this finding, DOE provided a copy of the student's transcript from a New Hampshire school and stated that she took history courses there for which the DOE school gave her credit. However, the history course taken at the New Hampshire school for which the DOE school gave her two credits for global history plus the one global history credit earned at the DOE school left the student one credit short of the required four credits.

Although we found insufficient evidence to justify the rejection of any of the documentation provided with regard to the remaining 17 students, there are a number of instances in which we are unable to determine with reasonable assurance that this evidence was reviewed by the schools at the time the decision was made to graduate these students. For example, we identified a student for whom there is no record that she passed a Science Regents examination. According to the student's transcript, she failed the Living Environment Regents exam in spring 2005 and was absent the day she was scheduled to retake it in spring 2006. In its response to this finding, DOE provided a photocopy of a "missing" Living Environment Regents examination that was reportedly completed by the student in spring 2007. However, DOE provided no evidence that this exam was recorded in an in-house transcript maintained by the school or the student's permanent record card. Other than this photocopy, there is no corroborating evidence to indicate that the student took the exam. Additionally, the absence of any indication in her transcript that she passed the Living Environment Regents exam is a violation of State regulations, which state that "the transcripts and permanent record cards of students shall indicate the assessment the student has passed to meet diploma requirements, and the score achieved." We also found that course equivalents were used by schools to help meet the missing credit requirements for eight of the cited students.

We note that 11 of the 19 students whose graduation status we questioned had overall grade averages of 80 or better. Nevertheless, the failure of schools to ensure that transcripts and/or permanent record cards support graduation decisions leads us to question whether schools are exercising proper care to ensure that students meet diploma requirements for graduation.

### **DOE Does Not Require That Schools Ensure That Student Permanent Records Are Accurate and Complete**

Part 185 of the Regulations of the [State] Commissioner of Education covers the issue of records retention. Appendix I of that regulation (Section 185.12, Schedule ED-1), which has been adopted by DOE, pertains to school districts. A section of this schedule requires the permanent retention of a student's cumulative achievement record equivalent (sometimes known as a permanent record card), "including but not limited to information on school entry, withdrawal and graduation, *and on subjects taken and grades received from examinations.*" (Emphasis added.)

Student transcripts are designed to record, among other things, the credits earned and examinations passed by students. Chancellor's Regulation A-820 identifies the student transcript as a permanent record. In various documents, DOE presents the student transcript generated from HSST as both a permanent and official record. In the handout designed for parents, *Getting to*

*Know High School*, DOE refers to the HSST transcript as “a student’s permanent record.” The handout also states that the transcript “will list every final grade, the number of credits earned as a result of satisfactorily completing a course and the cumulative number of credits within a subject earned over an academic year.” In the agreed-upon procedures between DOE and Ernst & Young related to the calculation of the graduation rate, the firm agrees to use “an official transcript” received from HSST to verify graduated student status. Furthermore, according to the *Data Specialist’s Guide 2008-2009*, DOE states that “it is imperative that the information about our schools that is recorded in ATS, HSST and other systems is accurate.”

Based on the above, it appears as if DOE intends for transcripts generated from HSST to be accurate and complete. However, according to DOE officials, there is no requirement that schools even use HSST. Officials stated that HSST is not a mandated or official system of record to certify students’ graduation status. In fact, DOE officials at the exit conference stated that while it is preferable, there is no requirement that schools use any transcripts, whether from HSST or a school’s own in-house system, let alone require that transcripts be accurate and complete. In fact, our review of Chancellor’s Regulations identified no regulation that required schools to maintain accurate and complete transcripts for their students.

State regulations do, however, require that schools maintain permanent record cards for students. Nevertheless, it does not appear as if DOE enforces this requirement for its high schools. As a result, DOE itself cannot adequately determine whether schools ensure that students meet diploma requirements before they are allowed to graduate. This fact was illustrated when we submitted to DOE, on April 17, the names of 15 sampled students whose transcripts showed that certain credits and examinations needed for graduation were lacking. If schools maintained accurate student transcripts and/or permanent record cards, as required by State regulations, the investigation should have been completed fairly quickly. Instead, we did not receive any results from DOE’s investigation until May 27, more than one month later. Except for two students previously cited, DOE provided no other in-house transcripts or permanent record cards to support the schools’ contention that the cited students met diploma requirements. At the exit conference, DOE officials acknowledged that the schools for most of the students we cite did not have a permanent record card, whether from HSST or from its own in-house records, that contained an accurate and complete list of the credits earned and exams passed that would support the graduation status of these students.

In the absence of complete and accurate permanent records, DOE, parents, and other interested parties are compromised in tracking the progress of students. According to DOE’s agreed-upon procedures with Ernst & Young, the firm reviews HSST transcripts for the recorded dates of graduation. According to Ernst & Young representatives, the firm also reviews HSST transcripts to determine whether students obtained 44 credits. The firm generally does not review HSST transcripts to determine whether students have earned the required number of credits in each major subject area or passed the required Regents examinations. If a graduation date is not recorded, or if an HSST transcript indicates that the student did not earn 44 credits, the firm asks DOE to contact the school to provide an official graduation certificate for the student. We found no evidence that the firm requires the school to provide an in-house transcript or other permanent record card or any explanation as to why the HSST transcript did not indicate

that the student had earned the required 44 credits. Therefore, DOE's mechanism for verifying that students who graduate meet diploma requirements is very limited.

### **Recommendations**

DOE should:

1. Ensure that HSST reflects that a student has met graduation requirements before a diploma is issued.

**DOE Response:** "HSST was developed as a tool to assist in this process, and the Department will continue to work toward enhancing the utility of the program at the school level."

**Auditor Comment:** Since HSST is DOE's centralized transcript system, for DOE to effectively monitor the issuance of high school diplomas, it should require that its high schools use this system to record students' academic achievements. The HSST transcript should clearly show that each graduate has met the graduation requirements.

2. Develop controls to help ensure that schools comply with State requirements and accurately maintain permanent record cards for students.
3. Ensure that permanent record cards and/or student transcripts are updated timely and contain all subjects taken, credits earned, and grades received from Regents examinations or their equivalents.
4. Implement controls to ensure that schools make sure that the transcripts and permanent record cards of general education graduates reflect that they have accumulated the required number of credits overall, and in major subjects, and have passed all required Regents examinations.

**DOE Response:** "Our schools have maintained student records in accordance with SED and Department regulations, which indicate that students' permanent records be maintained at the schools, including information on school entry, withdrawal and graduation, and on subjects taken and grades received from examinations. The Department provides numerous supports to facilitate schools in this process. The Department publishes an annual Graduation Requirements Workbook and disseminates it to all high schools in order to assist school officials and guidance counselors in making appropriate graduation determinations. Schools also receive an annual graduation memo and suggested checklist, providing additional guidance on tracking students' progress towards and eligibility for a high school diploma.

"Through these checklists and other tools, the Department supports and facilitates the review and timely update of student permanent records."

***Auditor Comment:*** Although DOE asserts that schools maintain student records in accordance with SED and DOE regulations, we did not find that to be the case for the students cited in the report. If the schools had maintained accurate permanent records for these students, we would have expected DOE to respond to our queries promptly. However, it took DOE more than five weeks to respond to our questions, and even then, DOE did not provide school transcripts or permanent record cards that clearly indicated the students had met graduation requirements. Accordingly, we reaffirm these recommendations.

### **DOE Has Minimal Oversight of the Process of Annualization**

DOE utilizes a policy called “annualization” to help students reach course credit requirements. However, the agency has delegated the implementation of this policy to the schools without overseeing how it is being administered. Consequently, this policy can be misused at schools and DOE will not detect it.

Annualization is a process by which a student who fails the first semester of a full-year course, but passes the second, is allowed to get credit for both semesters. According to DOE officials, this policy is implicitly allowed by the State due to the fact that the State requirements are based on full-year courses while DOE’s requirements are based on semesters. DOE’s policy appears to take the position that a student who passes the second semester of a full-year course has demonstrated enough mastery to be given credit for the entire year, including the first semester.

However, DOE has not established any regulations governing this policy, nor has it set any parameters for how this policy is to be implemented, leaving it to the discretion of each school to determine how it is implemented and recorded. For example, we identified a school in the Bronx that required students to earn a grade of 75 or higher in the second semester in order to get credit for both semesters. However, the school for one of the students in our sample stated that a student merely had to pass the second semester (grade of 65 or higher) to get credit for both semesters.

We also found that schools did not properly update students’ permanent records when credits were awarded through annualization. Two of the 19 sampled students whose transcripts did not reflect that they had the required credits needed for graduation were deemed to have obtained the required credits through annualization. However, this was not reflected in the students’ HSST transcripts, nor did DOE provide evidence that these credits were recorded on in-house transcripts maintained by the schools or the students’ permanent record cards.

Without the establishment of minimum standards, there is a risk that this policy may be abused by some schools. We are not arguing the merits of annualization, only that DOE should establish certain minimum standards that schools should apply when designating a full-year course as annualized to help ensure that credits for full-year courses are given only to those students who demonstrate sufficient mastery over the subject matter studied throughout the year.

### **Recommendation**

5. DOE should develop minimum standards to be followed by schools with regard to annualization to help reduce the risk of abuse. DOE should follow up with schools periodically to ensure that the standards are being followed.

**DOE Response:** “While SED establishes curriculum standards and course and exam requirements for high school graduation, principals have significant latitude to determine school-specific ways to meet these requirements, provided that seat time requirements are met and required examinations are administered. Often, principals make these decisions in consultation with teachers through school accreditation committees. While SED regulations clearly support the annualization of major subject courses, we will further review the use of the policy by our high schools and provide further guidance to schools. As noted, the Department expects schools to have an established policy for using that procedure and will reinforce with schools the need to memorialize that established policy in writing.”

### **Multiple Credits for the Same Course**

There were instances in which students received two or more credits for passing the same course two or more times. Some students were allowed to do this in lieu of repeating a course that they had failed.

Thirty-six of the 197 sampled graduates took the same major subject classes two or more times and received credit for each passing grade. Eleven of the 36 students accumulated 44 credits and had the required number of major subject credits but did not complete the planned sequence of courses in these subject areas. For example, one sampled student failed English 3 but passed English 4 twice and received credit for each English 4. Another student received two credits for passing Global History 1 twice but did not take Global History 4 at all. By simply passing the same course twice, instead of all the courses in the sequence, the student is not achieving minimal competence in each major subject area of the curriculum. Additionally, this practice allows schools to improperly pass students who otherwise might have failed.

### **Recommendation**

6. DOE should implement controls to ensure that students are not allowed to repeat major subject classes previously passed in order to compensate for not taking or passing other major subject classes.

**DOE Response:** DOE did not respond to the main point of this recommendation, stating: “As detailed above, what the Comptroller largely identified were repeated course codes, not repeats of the same class. The Department’s Division of Information and Instructional Technology (DIIT) is working to develop and implement more standardized course coding to facilitate better use of course codes in HSST. The Department is working to ensure that distinct courses are assigned distinct codes to the greatest extent possible.”

***Auditor Comment:*** As we state in the report, the students identified in this finding received multiple credits for passing the same major subject class two or more times. DOE provided no evidence to support its claim that these instances were repeated course codes rather than repeats of the same class. Accordingly, we reaffirm our recommendation.

### **Inadequate Grade Change Controls**

DOE does not have adequate controls to ensure that student information is properly processed and maintained. As a result, changes were made to student transcripts without an adequate segregation of duties or a proper audit trail in HSST.

#### **Weak Controls over Changes Made to Transcripts**

To prevent unauthorized changes of student transcripts, schools generally required grade-change forms to be signed by the person requesting the change and by the assistant principal or the principal who approves the change. However, we found that not all changes made in the system were supported by change forms. Four of the ten schools we visited discarded those forms. Twenty-two of the 42 grade change forms we reviewed only contained the signature or the name of the teacher or guidance counselor requesting the change; there were no approval signatures on these 22 forms. Therefore, DOE could not demonstrate to us that the changes made to the student transcripts were valid.

The HSST manual implies but does not specifically state that one individual should enter a grade change and that another person—the principal or the principal’s designee—should approve the change. The manual states:

“Updating a student’s transcript is a two step process. Use the function ‘Transcript Update’ to add, modify or delete items. The information will be saved in temporary storage until the principal or the principal’s designee approves or deletes the change via the function ‘Tran Update Approval’.”

We found that changes were made to the transcripts of 90 of the 274 sampled students (197 graduates and 77 still-enrolled) by checking the HSST change logs. The changes generally reflected improvements in students’ grades; some of them resulted in students passing classes that they were previously recorded as having failed. These 90 students consisted of 51 graduates and 39 still-enrolled. For 73 (81%) of the 90 student transcripts, the change logs showed that both steps were handled by the same person. Proper procedures would require a segregation of duties for the entering and approval of changes made to student transcripts.

The lack of segregation of duties between the entering and approval of grade changes in HSST may lead to inappropriate changes that could ultimately affect the accuracy of graduation data. DOE should require a proper segregation of duties concerning the entering and approval of grade changes in HSST.

### **Changes Made without Audit Trail**

HSST does not have adequate built-in controls to ensure the recording and maintenance of change-log data relating to changes made to student transcripts. As a result, there were instances in which HSST had no audit trail of some of the changes made to student transcripts.

We requested the change forms from the five schools in our preliminary sample and determined whether there were any records of those changes in the student transcript or grade change logs in HSST. Our review disclosed that some of the updates on 12 of 22 student transcripts did not have an audit trail recorded in HSST. For example, one of our sampled schools provided us with transcript-update forms for changes made to several student transcripts; however, even though the changed grades appeared on student transcripts, we did not find records of those changes in the HSST change-log. Moreover, some student transcripts, especially for transfer students, showed grades of “CR”, which meant that a credit was awarded to the student for a class, but there was no transaction recorded in the HSST change-log.

Therefore, there appears to be a way for schools to add credits to student transcripts without being detected. Consequently, we also question the integrity of the graduation data extracted by DOE from ATS, since ATS is also updated through HSST. DOE should audit the transcript-update process to ensure that student information reported to the public is valid and reliable. To minimize the risk of fraudulent transactions on student transcripts, DOE needs to modify the HSST system to ensure that an audit trail is permanently recorded for any change made to a student transcript. Schools should also keep supporting documentation on file for every change made to student transcripts.

### **Transcripts Updated prior to Graduation**

Our review revealed that 51 of the 197 sampled graduates’ transcripts had been revised and that many changes were made close to the graduation date, sometimes within days of graduation. There were a total of 42 sampled graduates for whom grade changes were made in their transcripts in the month of June 2007—just before graduation. Some of the grade changes were made for courses taken in previous years.

For example, for one graduate, there were seven grade changes made to his transcript, on June 19 and 20, 2007. Five of the changes involved adding five grades of “CR” for Spanish 1 through 5, all supposedly earned during the spring 2007 term. Another sampled student’s transcript was updated in June 2007, shortly before graduation, to change two failing grades of 55 to 65, one for a class taken in the fall 2006 term and one for a class taken in the spring 2007 term. With these changes, the transcript indicated that the student had accumulated 44.06 credits. However, one of the two changes made for this student was not properly approved.

In another example, three grade changes were entered on August 29, 2007, for a student who graduated on September 1, 2007. The student was given a “P” grade for economics, participation in government, and health courses supposedly taken during the summer term. However, the student also received regular grades in the usual manner (i.e., not through a grade

change) for a math and an English class taken during the same summer term. It is highly questionable that the student completed five classes during a short summer term.

### **Transcripts Updated after Graduation**

We found instances in which the student transcripts were updated even after they had graduated. Of the 51 sampled graduate students whose transcripts were updated, 9 had changes made to their transcripts after their graduation. For example, a student's transcript was updated on September 20, 2007 (after her graduation) to change a grade of 55 to "CR" for a Global History 4 class taken in the spring of 2007. Another student's transcript was updated on July 11, 2007 (after her graduation) to provide one more credit so that the student had a total of 44.56 credits. In neither case was there a sufficient explanation in HSST as to why the change was made.

Graduation rates calculated using unreliable data become unreliable themselves. To prevent schools from making improper changes to student transcripts, DOE must tighten its controls related to grade changes made shortly before and after graduation.

### **Recommendations**

DOE should:

7. Ensure that there is a proper segregation of duties concerning the entering and approval of grade and exam score changes in HSST.

**DOE Response:** "HSST is designed to segregate the two different processes of entering information and approving the entry. We will work to implement changes to the system to require that these operations be performed by two distinct users."

8. Ensure that all grade and exam score changes made to student transcripts are permanently traceable in HSST.

**DOE Response:** "This recommendation is based on an inaccurate premise. HSST already generates and preserves audit logs for every grade change and every transcript change. However, as discussed above, some changes to transcripts may show up only in the grade change logs because a grade change automatically leads to a change in the transcript. Since a grade change caused a transcript change, the change will not be recorded in the transcript change logs."

**Auditor Comment:** We checked both grade change and transcript change logs in HSST but did not find audit trails for one or more changes made for each of the 12 students. Audit trails should include the names of the persons entering and approving the changes, as well as the dates and times of the changes.

9. Tighten controls related to grade changes made shortly before and after graduation.

**DOE Response:** DOE did not respond to the main point of this recommendation, stating: “Grade changes made near the time of graduation show that principals are indeed checking and updating transcripts to accurately reflect student course and exam records. There are multiple circumstances in which grade changes made near graduation result from legitimate changes in student outcomes in courses due to the completion of missed or make-up assignments, and on exams that were taken and passed near the time of graduation. Also, since HSST is but one tool schools use to track progress towards graduation, and given the substantial pedagogic and administrative burdens on high school officials in June, it is entirely reasonable that HSST in many cases is updated early in the summer to accurately reflect data already included in the student’s permanent records.”

**Auditor Comment:** We continue to maintain that course grade and Regents examination score changes made shortly before or after graduation should be more closely reviewed to ensure that all of these last-minute or post-graduation changes are appropriate.

### **Some Graduates Did Not Attain 90 Percent Attendance**

According to Chancellor’s Regulation A-501, students are required to maintain a 90 percent attendance record. However, schools do not strictly enforce this requirement. We did not find any attendance records in ATS for two sampled graduates. Thirty-nine of the remaining 195 graduates did not comply with the 90 percent attendance requirement. Their attendance ranged from 64 to 89 percent.

Officials at the schools we visited explained that as long as students meet all other graduation requirements, they are not prevented from graduating because of poor attendance. In some instances, there might be an entirely legitimate explanation for a poor attendance record. For example, a student might have had a medical condition that limited his ability to meet the attendance requirement. However, because of the importance of regular school attendance, DOE should revisit this requirement and determine whether an enforceable attendance standard (with approved exemptions) can be established.

### **Recommendation**

10. DOE should review the attendance requirement for graduation and consider whether an enforceable standard (with approved exemptions) can be established.

**DOE Response:** “The Department will update the language of Chancellor’s Regulation A-501 to better reflect the Regulation’s intent. The intent of the regulation, which pertains to promotion requirements as well as graduation requirements, is to position attendance as one factor for schools to consider in

looking at student records as a whole in the context of making promotion decisions in certain grade levels. Schools understand and practice this intent although we agree that this intent is not sufficiently clear in the current language of Chancellor's Regulation A-501."

**Schools Did Not Maintain Sufficient Evidence to Support Classification of Students as Discharges**

DOE did not ensure that schools followed its procedures concerning discharged students. As a result, we found that some students were classified as discharges although the DOE schools that the students had attended were unable during our visits to provide us with evidence to support that classification.

According to Chancellor's Regulation A-240:

"The school must verify the reason for all discharges. Verification may be obtained by information from other schools, an interview of the parent/guardian, a review of pertinent records, or authorization from an attendance teacher. The school must document the discharge information. . . . The discharge transaction is then entered on the ATS system."

In addition, Chancellor's Regulation A-501 states:

"Students who fail to meet high school graduation requirements may receive continued support and instruction in day, evening, and summer school through the end of the school year in which their twenty-first birthday occurs."

Based on the regulations stated above, a student may only be classified as a discharge if the school is able to verify that the student met the criteria (e.g., transferred to another school). If a student leaves the school system and there is no evidence that the student meets one of the conditions for discharge, that student most likely is a dropout. To determine whether students in the cohort were appropriately placed in the discharge category, we identified a sample of 80 discharged students at five sampled schools (out of the reported 18,524 discharged students in the cohort) and requested documentation from the schools to support their classification. There was no evidence that any of the students had reached the age of 21 or died during the review period. We, therefore, looked for evidence that the student had transferred to a private high school in the City or had moved from the City, such as records of phone calls or faxes from the receiving school requesting student records or letters from the student's family. We also checked whether the discharge information had been entered in ATS.

Our review of student files and other documentation provided by the schools disclosed that for 14 (17.5%) of the 80 discharged students, there was little or no evidence that the students transferred to a private high school or moved from the City. In addition, for 5 of the 66 discharged students for which there was evidence in the student files supporting their classification as discharges, the discharge information was not recorded in ATS, as required by Chancellor's Regulation A-240.

We informed DOE of the results of our analysis and requested that they investigate these instances. In response, DOE provided some documentation on all 14 students. None of this documentation had been in the student files, nor was it otherwise provided to us at the sampled schools. DOE recently obtained most of this documentation (in response to our questions) either from receiving schools outside of the City or from relatives. Accordingly, we are concerned that most of this documentation was not available at the schools when the schools placed these students in the discharge category.

The documentation provided by DOE was acceptable for 13 students and rejected for one. One of the students for whom the documentation was acceptable was a student from Louisiana who came to the City in September 2005 after Hurricane Katrina. According to the documentation that the student's Louisiana high school provided to DOE on April 28, 2009, the student returned to the school in October 2005. The student for whom the documentation was rejected was an 18 year old who, according to the documentation provided by DOE, was "interested" in attending a GED program. However, the school did not verify that the student was actually admitted to the program, as required by Chancellor's Regulation A-240. Accordingly, this student should not have been classified as a discharge.

### **Recommendation**

11. DOE should implement controls to ensure that schools only classify students as having been discharged when the discharge has been appropriately documented, and ensure that discharges are properly recorded in ATS.

**DOE Response:** "The strength of the schools' existing controls is supported by the fact that the Comptroller accepted the additional documentation we provided in support of 13 of the 14 discharge cases they cite, and verified 79 of the 80 sampled discharges overall. However, we will reinforce with schools the importance of obtaining and maintaining written documentation to support any verbal verification obtained from the out-of-district schools to which their students have transferred."

**Auditor Comment:** As we state in the report, the schools that we visited did not provide adequate documentation at the time of our visits to show that 14 of the 80 students we reviewed had been appropriately placed in the discharge category. Nevertheless, we are pleased that DOE will reinforce the importance of ensuring that discharges are appropriately documented and recorded.

## **Other Issue**

### **Effective Dropout Rate May Be Higher than the Official Rate Reported by DOE**

The parameters established by the State for classifying students as dropouts, if not followed by DOE in a timely manner, could result in a reported rate that does not reflect the actual number of students who have dropped out of school.

One of the objectives of DOE is to reduce the number of students who drop out of high school before their graduation. In order to be classified as a dropout, the following conditions must be met as per State law:

- Student must be at least 17 years old
- Student must be absent at least 20 consecutive school days
- School principal must schedule and notify, in writing and at the last known address, both the student and parental guardian of an informal conference. At the conference, the principal is to:
  - Determine the reason for the student's absence
  - Ascertain whether the student would return to school if reasonable changes were made to the student's educational program
  - Notify the student and guardian that the student may re-enroll at a later time
- If the student and guardian fail, after reasonable notice, to attend the conference, the student may be dropped from enrollment as long as the student and guardian are notified, in writing, that the student has the right to re-enroll

Thus, a school cannot classify a student as a dropout simply because the student has stopped coming to school. If the above conditions are not met, a student will most likely remain on the roster as "still-enrolled," even if for all intents and purposes the student has effectively dropped out.

In addition, DOE has established its own requirement that a student cannot be classified as a dropout if the student has not reached the age of 17 by the first day of that school year.<sup>2</sup> Therefore, per this requirement, public high schools in New York City are unable to classify a sizeable segment of a cohort as dropouts no matter what the students' attendance may have been because many fourth-year high school students are not 17 years old when they enter the fourth year of high school.

To determine the extent to which DOE included students in the still-enrolled category who were no longer attending school and had effectively dropped out, we examined the fall 2007 transcripts and attendance records in HSST and ATS for a sample of 77 students. Our review disclosed that 11 of the 77 sampled students in the still-enrolled category had not attended school since June 2007 or earlier. Of the 11, six basically did not attend school during the spring 2007 term: one had attended school for only 17 days and five attended no more than one day each.

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<sup>2</sup> Regulation of the Chancellor, A-240, section 1.9, issued September 5, 2000.

However, if the schools did not perform the steps enumerated above, DOE was required as per State law to carry them on the records as still-enrolled. It should be noted, however, that five of the six students were discharged as dropouts on the first day of the fall 2007 term, according to the discharge dates recorded in ATS. The classification of these students in the still-enrolled category could artificially lower the effective dropout rate.

DOE officials stated that their intent is not to drop students out as quickly as possible but to make every effort to try to help them graduate. We do not disagree with this position. Accordingly, for those students who have not been coming to school, we believe that schools should act as quickly as possible to take the steps identified above to meet with the student and determine what can be done to bring the student back to school. If after performing sufficient outreach efforts, however, the student decides to drop out, the school should appropriately designate the student as a dropout.

The dropout rate is one of a number of indicators that is used in determining whether performance increases are awarded. According to the DOE's *Methodology for Identifying Schools Eligible for the CSA Performance Increases, 2006-07*, the four-year dropout rate was one of the factors used to measure performance. In addition, according to Chancellor's Regulation C-33, which addresses the removal and transfer of principals for persistent educational failure, the four-year dropout rate is one of the indicators used in determining whether there is a pattern of poor or declining student achievement. Accordingly, schools have an incentive to ensure that the four-year dropout rate is as low as possible. Since schools must take certain steps before they can classify a student as a dropout, there is an increased risk that schools will intentionally not take those steps, or delay taking them, so that their dropouts are not included in the official four-year dropout rate reported by DOE.

### **Recommendation**

12. DOE should implement controls to ensure that schools follow the proper protocol and follow up in a timely manner with students who do not attend school.

**DOE Response:** DOE disagreed with this recommendation, stating: "The Department already has controls to encourage schools to conduct outreach with truants and their guardians to convince them to return to school and to assist them in accessing appropriate supports. It is not the policy of the Department to discharge students at the earliest legal opportunity."

**Auditor Comment:** We are not recommending that DOE "discharge students at the earliest legal opportunity." Rather, DOE should conduct outreach as soon as possible to increase the likelihood that students can be encouraged to return to school. If the outreach is unsuccessful, however, DOE should ensure that schools do not inappropriately delay recording the student as a dropout until the beginning of the fifth year.

## **DETAILED DISCUSSION OF DOE RESPONSE**

In its response, DOE strongly objected to our methodology and the tone of the report. We have added this Appendix to record the main issues raised in the DOE response and our comments. (For the full text of DOE's response, see the Addendum to this report.)

### **Re: Permanent Records of Students**

#### **DOE Response**

SED requires that schools maintain a "cumulative achievement record" for each student "including but not limited to information on school entry, withdrawal and graduation, and on subjects taken and grades received from examinations." For decades, that cumulative record has for the most part been comprised of the school's paper files on each student.

#### **Auditor Comment**

It is unclear whether DOE is intentionally misleading in its response. DOE implies that a school's paper files are all permanent records. This is incorrect. DOE appears to mistake the cumulative "education" record for the cumulative "achievement" record. The cumulative education record, to which DOE is apparently referring, includes a number of records, including but not limited to examination test results, papers, teacher comments, correspondence, and the cumulative achievement record, also known as the permanent record card. However, as DOE should be well aware, only the permanent record card or an equivalent (for example, a student transcript) is a permanent record. To date, DOE has not provided any evidence to refute the audit's finding that the permanent records for a number of students did not support their status as graduates.

### **Re: Ernst & Young's Agreed-Upon Procedures**

#### **DOE Response**

In particular cases where the automated student records appear to be inaccurate or incomplete, Ernst & Young follows up at the school level to review the student's cumulative achievement record at the school to support the student's inclusion as a graduate in the cohort calculation, including, where called for, a review of credits earned or Regents' exams passed, as well as documentation to support a student's discharge or still-enrolled status.

#### **Auditor Comment**

DOE overstates Ernst & Young's level of work. The agreed-upon procedures, which DOE includes as Appendix A in its response, clearly state the steps followed by the firm.

Contrary to DOE's claim, the firm did not visit schools to review school records to ascertain whether students met graduation requirements. As stated in the procedures, the firm reviewed students' status on (1) HSST transcripts or (2) official graduation certificates (which DOE obtained from the respective schools) to validate that students graduated.

**Re: Review of Student Transcripts on HSST**

**DOE Response**

The auditors never shared with Department officials, however, that it was their intent to look to data in HSST, not merely as a convenient automated starting point of reference for their audit testing of students' cumulative records, but rather with an assumption that the data in HSST *is, or is intended to be, the sole cumulative record.* [Emphasis in original.]

**Auditor Comment**

Our decision to review HSST was based on initial interviews with various DOE personnel at the audit's onset who communicated to us that relevant student records (e.g., courses taken, exams passed) were recorded in HSST. After sharing our preliminary findings with DOE, we expanded our review to include permanent record cards and/or in-house student transcripts. However, except in the case of two students, no additional permanent records were provided.

**Re: Notification of Preliminary Findings to DOE**

**DOE Response**

Because the Comptroller had in many cases failed to examine the document repository of record, the Department was forced, in response to the preliminary draft audit report, to itself perform the fieldwork that the auditors had neglected to conduct. This required Department personnel to review the students' cumulative files, including school-level guidance and attendance outreach files, to determine whether the schools could prove the validity of their graduation and discharge determinations, could support any updates or changes to students' grades or transcripts, and could otherwise demonstrate that they complied with all requirements and procedures relating to the matters examined by the Comptroller. The Department then provided the auditors with the results of and evidence derived through its post-audit investigation, including at the exit conference held on May 29, 2009.

### **Auditor Comment**

DOE's statements show a lack of understanding of the audit process and misstate the conduct of this audit. DOE is attempting to show a failure on our part where there is none. We generally do not share the results of our audit testing until we have completed our analysis, as we did in this audit. To share audit results prematurely while testing is underway could compromise the results of our analysis. Once we share our preliminary findings—many of which in this case were based on our reviews of student files and other documentation at the ten schools we visited—the auditee is given an opportunity to present whatever evidence it wants us to consider in our review, which was also done in this audit. Consequently, the investigation conducted by DOE was not performed “post-audit” but as part of the normal audit process.

Further, we provided DOE ample time to review and investigate our preliminary findings. However, DOE was also unable to identify permanent records, either on HSST or at the schools, to prove the validity of graduation determinations. The fact that DOE was not able to provide support until May 29, 2009, for findings we notified them of more than five weeks earlier (on April 17, 2009) underscores the audit's main finding, that schools did not ensure that permanent records of students supported their graduation status. Had schools done so, DOE's review would have been completed in a more straightforward and timely manner.

### **Re: Students Who Did Not Meet Graduation Requirements**

#### **DOE Response**

One was a student who took a proficiency exam in 8<sup>th</sup> grade and, per SED regulation, received high school credit for passing the exam. However, because middle schools did not use HSST in 2002-2003, the high school had to input this examination in the student's 9th grade record in HSST in order to account for the credit earned—a reasonable accounting practice. The auditors rejected this explanation, concluding that the Spanish proficiency exam had been taken in the 9th grade, thus not falling within the SED regulation requiring the exam to be taken in middle school to justify high school credit. When presented with a letter from the student's middle school confirming that the student took and passed the proficiency exam in his last year of middle school, 8th grade – and when presented with proof that the student's high school (like most high schools in the city), did not even offer a Spanish proficiency exam to students (these are only given in middle school) – the Comptroller chose, arbitrarily and unfairly, to reject the evidence that clearly demonstrates the student's qualification for the two units of language credit.

#### **Auditor Comment**

DOE is incorrect. We were not provided a letter from the student's middle school stating that he took the exam in the 8<sup>th</sup> grade, nor were we provided with proof that the student's high school did not offer a Spanish proficiency exam. The only evidence we received was a letter

from the student's high school principal submitted in response to our finding. Furthermore, according to the principal, the examination was entered in HSST when the student first entered high school. However, the HSST transcript indicated that the exam was taken in the spring semester of the student's freshman year. Accordingly, our finding remains.

### **DOE Response**

The second graduate whose status was rejected by the auditors was a transfer student, who completed the equivalent of Global 1 and Global 2 in a school she previously attended in New Hampshire, and successfully completed Global 3 and Global 4 at her New York City school. The school had used an unusual code for the Global 4 course and an HSST error caused her transcript to not reflect credit for Global 4, even though her recorded grade for the course was an 85 (well better than passing). When the school was asked to confirm that the student had completed the four-semester Global sequence, the principal confirmed in writing that this was the case based on records in the student's cumulative file. We submitted a letter from the principal to the Comptroller explaining the school's HSST issue for Global 4, and confirming that school-level records demonstrated the student's successful completion of the two New Hampshire courses and the two New York courses. For reasons that remain a mystery, the Comptroller refutes the conclusion that this student properly graduated.

### **Auditor Comment**

We were provided with two conflicting reasons for this student having sufficient credits to graduate. Accordingly, we could not give credence to either explanation. We initially provided this case to DOE on April 17, 2009. We did not receive a response until May 29, at which time DOE stated that, according to the school, the student was given credits for courses taken at the New Hampshire school. When this response proved to be insufficient to account for all of the credits that the student needed, DOE provided a letter from the school asserting that an HSST data-entry error had occurred and that the student had indeed passed Global 4. However, the school did not provide any supporting documentation to corroborate this account. Accordingly, our finding remains.

## **Re: Graduation Status Not Supported in Permanent Records**

### **DOE Response**

The Comptroller thus claims that his review of 197 sampled graduates, found that what he calls "the transcripts" for 19 of them . . . "did not appear to have evidence that the students had the required number of credits overall, and in major subjects, or had passed all of the required Regents examinations needed to graduate (Report, p.1)."

This finding is inaccurate. First, the Comptroller focused his review entirely on *HSST* transcripts, which, as we have noted, are only one of several ways that schools may choose to track student cumulative records. In many schools, *HSST* was not the system used to reflect cumulative records. SED Regulation 185.12 and Chancellor's Regulation A-820 identify as a permanent record, "the cumulative record and/or transcript." [Emphasis in original.]

**Auditor Comment**

DOE is incorrect. First, our statement, that the transcripts for 19 students either were incomplete or did not have clear evidence that students met graduation requirements, is borne out by the fact that DOE officials were also unable to determine whether the students met graduation requirements. As a result, it was necessary for DOE to obtain and review supplementary records from the schools to ascertain whether graduation requirements were met. Second, our review did not focus entirely on *HSST* transcripts. As stated in the report, we accepted other evidence to support graduation status. Third, it is unclear to what "cumulative record" DOE is referring. As stated previously, the cumulative achievement record (i.e., the permanent record card) is a permanent record, while the cumulative education record includes items that are not permanent.

**DOE Response**

Throughout the audit, the process by which the auditors determined whether or not students' "permanent records" were complete involved only examining students' *HSST* transcripts. When they discovered what they believed to be 19 anomalies among the 197 transcripts, they prematurely concluded that students' records were incomplete. In 12 of the cited 19 cases, however, the students' *HSST* or in-house transcripts were in fact complete records in themselves, records that the auditors failed to correctly understand. It appears the auditors did not have or obtain the necessary background knowledge of state and city regulations in order to determine with accuracy whether or not a student's transcript supported a decision on graduation, thus erroneously concluding that records were incomplete.

**Auditor Comment**

DOE is incorrect. We accepted any permanent records submitted by DOE, whether it was a permanent record card, in-house transcript, or *HSST* transcript. However, in all but two cases, the *HSST* transcript was the only record provided by DOE. It must be noted that the transcripts that "auditors failed to correctly understand" were apparently difficult for DOE officials to understand also. Consequently, DOE officials required more than five weeks to obtain supplemental information that was not apparent in the transcripts in order to ascertain whether students in fact met graduation requirements. We accepted supplemental documentation from the schools indicating that 17 of the 19 students had met graduation requirements even though the transcripts alone did not clearly indicate that the requirements were met.

**Re: Students Received Multiple Credits for the Same Course**

**DOE Response**

The Report asserts that 39 students took the *same course* multiple times and received credit for the duplicate courses. This is inaccurate. Instead, it appears that these students attended schools that did not use unique course codes to indicate the student's enrollment in different courses. The majority of the relevant courses were in physical education, which students may take each year, for credit. Band, yearbook and advisory were other cases in which students frequently and appropriately enroll over multiple semesters and years, but the school used the same code in HSST to indicate the course. [Emphasis in original.]

**Auditor Comment**

DOE is incorrect. These students took the same *major* subject classes two or more times. The instances we identified do not include non-major subject classes, such as physical education, band, yearbook, or advisory.

**DOE Response**

In one case identified by the auditors, a student's HSST transcript had multiple occurrences of a code that signified that the student took the course off site, in this case at Hunter College. This advanced student completed multiple, different, college courses, and the school used one code to indicate that certain course requirements were met through college enrollment. In short, the report misrepresents reality by offering a finding that students were credited twice for repeating a course.

**Auditor Comment**

According to the student's transcript, the student was granted four credits for taking two Living Environment courses twice. DOE provided no evidence showing that these were four distinct courses taken at Hunter College. In fact, they were not even identified as Hunter College courses on the student's transcript. Accordingly, our finding remains.

**DOE Response**

As for the two cases the report includes as examples where students were double credited for major subject areas, we went to the schools, and determined that in neither instance did the double crediting constitute wrongdoing or improper graduation determinations for the students.

### **Auditor Comment**

In neither example did DOE provide evidence to refute our finding. In the first example in which we identify a student who received credit for taking English 4 twice, DOE stated that the student took one English 4 course at her own school and a different English 4 course during the summer at another school. However, DOE provided no evidence that the two English 4 courses covered different material. In the second example, in which we identify a student who received two credits for Global 1 and none for Global 4, DOE stated that the student passed Global 4 but it was coded in HSST as HRG. However, there is no evidence of such a course on the student's transcript.

### **Re: Inadequate Grade Change Controls**

#### **DOE Response**

Over the course of nearly a full year, the auditors had every opportunity to share and discuss with schools and/or with central Department officials their areas of concern, including any grade or transcript changes that they believed, upon their cursory review of data and some discrete records, raised questions. Because that was not done, the Department was again left to retrace the Comptroller's audit and conduct the comprehensive school-level interviews and records review that should have been performed by the auditors.

#### **Auditor Comment**

As stated earlier, upon completion of audit testing, we shared our findings with DOE, which is routine audit procedure. DOE's claim that our review was cursory and not comprehensive is incorrect, as evidenced by the fact that although DOE was given more than five weeks to provide adequate explanations for this finding, DOE provided no explanations for these cases. Accordingly, our finding remains.

### **Re: Changes Made without Audit Trail**

#### **DOE Response**

Contrary to the report's claim, the HSST system automatically records the date, name and application used to make any changes to a student's grade, schedule or transcript. Staff from DIIT met with the auditors and showed them the automatic auditing functions of the system. Some changes to transcripts may show up only in the grade change logs, because a grade change automatically leads to a change in the transcript. Since a grade change causes a transcript change, the change will not be recorded in the transcript change logs, but the audit trail in the grade change log serves the same, sufficient purpose.

### **Auditor Comment**

Following the exit conference, we met with staff from DIIT and reviewed grade change logs for the 12 student transcripts sampled. We confirmed that there was no audit trail for one or more changes made for each of these 12 transcripts.

### **Re: Transcripts Updated Prior to or After Graduation**

#### **DOE Response**

Because school officials are encouraged and expected to independently evaluate each student's progress toward and eligibility for a diploma, one would expect those evaluations to lead to the identification of necessary updates in HSST, and one would expect a large number of evaluations and updates to occur close to the time of graduation determinations. Data entry needs arising from entry errors, or updates in students' grades due to makeup work, summer school, or course annualization, are identified during reviews by school officials shortly before graduation, and in some cases may not be corrected in the data system until after graduation, when staff have more time to catch up on data entry. All of these practices reflect acceptable school policies given the reality of day-to-day life for students and administrators. The Comptroller's implications that these changes are improper are baseless and do not reflect the reality of schools' individual record keeping practices.

#### **Auditor Comment**

It is reasonable that transcripts may need to be updated due to data-entry errors, updates due to makeup work, etc. However, adequate justification of changes should be recorded, which we found was not done in a number of cases. Additionally, in the instances where transcripts were updated for courses taken two or more years earlier, we question why this was not done in a more timely manner.

### **Re: Student Dropout Rate**

#### **DOE Response**

First, even if the Comptroller is right on the facts, this error would have no bearing on graduation rates; even a student formally designated as "still enrolled" is in the cohort that constitutes the denominator of the graduation rate. Thus there is no incentive at all for the action he suggests.

**Auditor Comment**

DOE's statement that there is no incentive for schools to identify dropouts as still-enrolled is incorrect. The report does not suggest that classifying dropouts as still-enrolled students affects the graduation rate. It does, however, affect the dropout rate, which, as the report states, is one of the indicators used in assessing school performance and in determining whether there is a pattern of poor or declining student achievement.

**DOE Response**

For the remaining 6 of 11 students who did have at least 20 consecutive absences at the end of the 2006-2007 school year, the Department has followed up with the schools and determined the extent of the schools' active outreach to get each student back to school to continue pursuit of his/her diploma or to formalize his/her intent to drop out upon a discussion with a counselor about his/her rights and options. In every case, the school had documented ongoing efforts to reach the truant students and/or their guardians and to bring them into the school for a conference.

**Auditor Comment**

We are not questioning whether schools performed outreach for these students. Rather, we are questioning the timing of when schools performed that outreach and when they discharged as dropouts those students who rejected the request to come back to school. As we state in the report, five of the six students were discharged the first day of school in the fall 2007 term, meaning that the outreach efforts had to have taken place during the prior school term. Consequently, it is to be expected that the discharges would have taken place during that previous term, but they did not.

**DOE Response**

The Comptroller reports that five of the six truant students were discharged on the first day of the 2007-2008 school year. This is not unusual or untoward. If the school's efforts in the new school year to re-connect with truant students are unsuccessful at bringing the student back to school, the school is expected to enter the dropout retroactively to the first day of the new term, even if outreach efforts extended well into the term. Schools have documented evidence of outreach efforts in 2007-2008 for four of the five students, evidence that these dropout dates were inserted after continued outreach in the new school year proved unsuccessful.

**Auditor Comment**

DOE provided no evidence of outreach efforts conducted during the 2007-08 school year for the cited students. Additionally, we found no evidence to support DOE's assertion that schools are expected to enter the dropout retroactively. Rather, we found evidence that

contradicts DOE's statement: our review of ATS revealed a number of instances in which students in our sample were discharged as dropouts in early to mid-October.

**Re: Overall Statements on Audit**

**DOE Response**

It is difficult to fathom the Comptroller's decision to de-emphasize his consistently favorable findings on the accuracy of graduation and discharge status determinations at Department schools. After expending a wealth of public time and resources on his audit, the Comptroller concluded that New York City schools' graduation and discharge determinations are accurate at a rate of 99 percent. Yet, ignoring his own positive findings, the Comptroller focuses his Report almost exclusively on minor quibbles about aspects of schools' use of a new automated tracking system, HSST, and raising unwarranted, unfair suspicions regarding school conduct, based on cursory and incomplete inquiry.

**Auditor Comment**

We are concerned that DOE treats the weaknesses identified in the report as "minor quibbles." Permanent records that do not reflect the graduation status of students, students receiving multiple credits for the same major courses, and inadequate grade change controls are indications that the controls over students' permanent records need to be strengthened.

Throughout its response, DOE criticizes the audit for what it deems "unwarranted, unfair suspicions regarding school conduct." Nowhere in this report do we state that the weaknesses we identify indicate inappropriate conduct by any particular school. However, the risk that inappropriate conduct may occur at a school does exist. While schools have always had an incentive to increase their graduation rates and lower their dropout rates, that incentive has increased in recent years. Starting with the 2007–2008 school year, DOE gave schools increased accountability over student achievement. Two of the indicators used by DOE to assess performance are the four-year graduation rates and dropout rates. By increasing the incentive of schools to ensure that their students perform well, the risk that schools may take inappropriate actions (e.g., graduate students who do not fulfill all graduation requirements, make unauthorized changes to student transcripts) is also increased. However, it does not appear that DOE acknowledges this reality, which is troubling to us. Under these circumstances, there is a significant risk that DOE will not institute the controls that are needed to ensure that permanent records support decisions to graduate students and that changes to permanent records are adequately reviewed and documented.

**Conclusion**

After carefully reviewing DOE's response, we have found their arguments refuting the findings we identified in this audit to be unsupported and without merit. Accordingly, we stand by our findings.



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June 22, 2009

Mr. John Graham  
Deputy Comptroller  
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Dear Mr. Graham:

This letter, along with the enclosed Response to Findings and Recommendations and Appendices A-C, constitutes the New York City Department of Education's (Department) response to the New York City Office of the Comptroller's (Comptroller) June 8, 2009 draft report (Report) on the Department's Calculation of High School Graduation Rates (Audit Report # ME09-065A).

We are pleased that the Comptroller's comprehensive analysis of a sample of 197 of New York City's 2007 graduates validates the status of 195 (99 percent) of them as having satisfied the governing state requirements to receive a high school diploma,<sup>1</sup> and that the Comptroller's similarly extensive analysis of a sample of 80 student's discharged from the system validates 79 (99 percent) of them as proper discharges. We are also pleased that the Comptroller found that the Department has established an appropriate system of internal quality control reviews, which goes beyond controls implemented under prior administrations and beyond what is required by state law to ensure the accuracy of the graduation rate calculation, by engaging an independent audit firm, Ernst & Young, LLP, to validate the Department's graduation rate calculation each year. The Comptroller's findings underscore the essential reliability of the Department's calculation of the graduation rate and the school-level graduation and discharge determinations upon which that calculation rests.

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<sup>1</sup> For the reasons stated in the enclosed Response to Findings and Recommendations, the Comptroller wrongly rejected the evidence supporting the accuracy of the graduation determinations for each of the two remaining students, both of whom were correctly graduated in full accordance with all state graduation requirements. All 197 of the 197 sampled graduation determinations by the schools, 100 percent, were correct and supported by the evidence presented to the Comptroller. See pp. 12-13 of the enclosed Response to Findings and Recommendations, for a discussion of the two cases.

The findings also confirm the conclusions of the audit of the Class of 2007 graduation rate conducted by Ernst & Young, LLP, in spring 2008, which likewise validated the Department's calculation of the graduation rate.

In view of the size of the Department and the 2007 cohort, the transience of our student population both within and without the New York City public schools, the complexity of the New York State high school graduation requirements, the number and diversity of our high schools, and the passage of nearly two years or more since the schools' entry and certification of the graduation and discharge statuses tested, the fact that the Department was able to establish the accuracy of 99 percent of the sampled graduates and 99 percent of the sampled discharges to the ultimate satisfaction of the Comptroller's auditors bespeaks the deliberation and care with which our high schools attend to the accuracy of the student graduation and discharge determinations that they then report in our pupil accounting system, Automate the Schools (ATS), and that the Department uses to calculate the cohort graduation rate each year.

The Comptroller's stated audit objective was "to determine whether Department properly calculated high school graduation rates (Report, p. 4)." Given the sampling methodology and parameters used and the overwhelming accuracy of the graduation and discharge determinations tested, the Comptroller's findings support an affirmative answer to that question.

The Comptroller's affirmative findings about the accuracy of the Class of 2007 graduation rate calculation is particularly important given the skepticism with which the Comptroller evidently embarked upon this audit nearly one year ago, and which carried through to his May 11, 2009 preliminary draft report and supplemental findings provided to the Department on May 22, 2009. Having failed to familiarize himself with (1) the State Education Department (SED) regulations that establish the requirements for high school graduation and with (2) the school-based student cumulative achievement records that SED regulations make the official basis for school-level graduation determinations, the Comptroller was initially prepared to assert that 10 percent of the reported graduates in his sample (20 out of 197) had not met graduation requirements, and thus that the Department had overstated its Class of 2007 graduation rate by 10 percent. Additionally, despite the schools' verifications that students had transferred outside the New York City school district, the Comptroller was initially prepared to declare that 17.5 percent of the reported discharges in his sample (14 out of 80) should have been reported as dropouts against the graduation rate calculation.

Those were the findings the Comptroller planned to report to the public, until he was confronted with (1) the applicable SED regulations and (2) evidence obtained from the schools, which supported the schools' graduation and discharge determinations in all but the 3 (out of 277) cases. Only then did the Comptroller concede that "the documentation provided for all but two of the [2007 graduating] students appears to support the graduation of these students" (Report, p.1, 7), and that "the documentation provided by Department was acceptable for 13 students and rejected for one" of the 14 out of 80 sampled discharges initially challenged (Report, p.17). Once apprised of the governing state regulations and once presented with portions of the students' school-based cumulative records and other information that the Comptroller's staff had failed to request or examine during their field investigation, the Comptroller retracted the headlined finding of his preliminary draft report that "data used by Department for its high school graduation rate calculation were inaccurate and led Department to overstate the graduation rate for the Class of 2007." Oddly, however, the Comptroller's retraction of his negative findings was not accompanied by a declaration of any sort of his affirmative answer to the sole question his audit was explicitly undertaken to answer – "whether [the] Department properly calculated high school graduation rates."

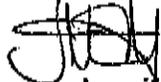
Having retracted his erroneous and inflammatory preliminary findings when confronted with clear evidence that the schools properly applied SED regulations and had evidentiary support for at least 99 percent of their graduation and discharge determinations, we thus are disappointed that the Comptroller, in his Report, elects to leave unstated his central finding that the Department's Class of 2007 graduation rate calculation – and the Ernst & Young audit validation of that calculation – are accurate. Instead, the Comptroller dedicates most of his Report to the question whether schools, in reaching and reporting determinations about the graduation and discharge statuses of their students that his investigation have now proved to be *correct* in nearly all cases, properly *stored* every datum supporting the students' achievement of each individual graduation requirement *in the appropriate location*. Even on this technical question of where records are filed, however – which was not posed by the audit and is far removed from the central issue of substance (whether the calculated graduation rate is accurate) – the Comptroller's critique misfires. His conclusion is, again, based on a misunderstanding of the governing state requirements. Although the Comptroller assumes that the Department's High School Scheduling and Transcripts system (HSST) is the repository "of record" for purposes of determining students' qualifications to graduate, state law in fact makes each students' paper, school-based cumulative achievement file the repository "of record" for this purpose. HSST is a relatively new and developing computer program, onto which the

Department's high schools have only gradually migrated, which is designed to facilitate the schools' scheduling of students into classes, supplement their existing systems for tracking credits earned and Regents exams taken and passed, and offer schools with an automated method of generating student transcripts. Indeed, as of 2007, a number of the Department's high schools had not even migrated onto the HSST system.

The Department welcomes the Comptroller's recommendations for enhancing the utility of HSST for schools and for the Department as a whole. The Department is committed to the continuous improvement of all of its automated systems, tools and controls. Since the audit year (2007), has made a number of changes to HSST, including changes the Comptroller's Report recommends.

The attached response calls attention to two peculiarities in the Comptroller's Report on the calculation of the graduation rate. The first is its de-emphasis of the auditors' favorable findings on the accuracy of the graduation rate calculations: New York City schools' exceptional 99 percent accuracy in identifying both graduates and discharges. The second is the Comptroller's strained efforts – based on a clear misunderstanding of the requirements governing the storage of records – to cast shadows on the hard work and achievements of the students, teachers, counselors and administrators in New York City high schools. Despite the Report's title and stated audit objectives, most of the tests performed, findings reported and recommendations made are unrelated to the Department's calculation of high school graduation rates and focus instead on mundane record filing, as to which it was the Comptroller who failed to look in the right place. Given the audit's validation of the Department's calculation of its graduation rate, and the schools at least 99 percent accuracy rate, it is not surprising that the Comptroller's conclusions about the imperfect record filing turn out to be unsupportable.

Sincerely,

  
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Jennifer Bell-Ellwanger

Response to NYC Comptroller's Audit Report on the Department of Education's Calculation of  
High School Graduation Rates (ME09-065A)

**RESPONSE TO FINDINGS AND RECOMMENDATIONS**

Along with the June 22, 2009 cover letter from Jennifer Bell-Ellwanger to Deputy Comptroller John Graham, and Appendices A - C, the following detailed response to findings and recommendations constitutes the New York City Department of Education's (Department) response to the New York City Office of the Comptroller's (Comptroller) June 8, 2009 draft report (Report) on the Department's Calculation of High School Graduation Rates (Audit Report # ME09-065A).

**Background on the Department's Calculation of the Graduation Rate and Student Record Keeping**

*Requirements for Graduation*

The requirements for earning a New York State high school diploma are set by the New York State Education Department (SED) and can be found in Part 100.5 of the New York State Codes, Rules and Regulations. These requirements specify the requisite subjects, credits, and assessments for each type of diploma (Local, Regents). The requirements, which have changed over time, apply to students depending upon the year in which they first enter grade nine.<sup>1</sup>

For the Class of 2007, all general education students were required to pass Regents exams in English Language Arts, Mathematics, Global History, United States History and Government, and Science, and earn 22 credits to graduate.<sup>2</sup> The minimum passing score for all Regents exams was 55 for a local diploma and a 65 for a Regents diploma.

Schools make determinations about the graduation status of students after a thorough review of each student's cumulative record to ensure that the student has met the requirements set by the state. Principals then must certify each student's graduation status. SED requires that schools maintain a "cumulative achievement record" for each student "including but not limited to information on school entry, withdrawal and graduation, and on subjects taken and grades received from examinations."<sup>3</sup> For decades, that cumulative record has for the most part been comprised of the school's paper files on each student. The final status of the student for the purpose of calculating the cohort graduation rates, which is determined four years after entry into grade 9, is then entered into Automate the Schools (ATS), the Department's pupil

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<sup>1</sup> New York State diploma requirements are available here: <http://www.emsc.nysed.gov/ciai/gradreq/intro.html>

<sup>2</sup> The Department divides the state's year-long credits into semester credits, and requires 44 to graduate.

<sup>3</sup> NYSED Regulation 185.12, Schedule ED-1, available here: [http://www.archives.nysed.gov/a/records/mr\\_pub\\_ed1.pdf](http://www.archives.nysed.gov/a/records/mr_pub_ed1.pdf). See also Chancellor's Regulation A-820, Section III, available here: <http://schools.nyc.gov/RulesPolicies/ChancellorsRegulations/default.htm>

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accounting system. Students who do not meet the requirements for graduation remain in the system as "still enrolled," unless they are dropped out in accordance with applicable regulations.

The Department has made sure that students and their parents are aware of graduation requirements from the moment that they first enter high school. Since 2001, the Department has distributed high school graduation requirements cards to all high school students and their families. These cards clearly outline the distribution of credits, Regents exams, and passing scores on the Regents exams that are required for graduation. Students receive this information in ninth grade so that they know exactly what standards they must achieve, and so students, parents, and school counselors can develop plans for meeting graduation requirements. Starting last month, all parents have been able to follow their children's progress toward meeting graduation requirements using ARIS Parent Link.<sup>4</sup> This allows parents to review online the progress their children are making toward meeting graduation requirements and which requirements they have yet to complete.

*Graduation Rate Calculation for the Class of 2007*

New York City has been calculating graduation rates using the same methodology for more than 20 years, since 1986. The Class of 2007 is therefore the twenty-first class for which the New York City Department of Education (before 2002, the Board of Education) has conducted a four-year longitudinal study. The 2007 graduation rate represents the progress toward school completion of students who entered the ninth grade in Fall 2003 and were scheduled to graduate on time in Spring 2007 after four years of high school. The Department reports outcomes for the class as a whole, as well as outcomes for specific groups of students categorized by gender, English language status, race/ethnicity, and immigrant status.

The Department follows two student cohorts each year. One is comprised of students in general education classes, including students receiving special education services in less restrictive settings. The other is comprised of students in self-contained special education classes in either regular high schools or in District 75, the citywide special education district, which consists of schools that primarily serve students with severe disabling conditions.

Students were assigned to the Class of 2007 based on the year in which they entered Grades 9 through 12. More than nine in ten (90.5 percent) of the students in the Class of 2007 joined the cohort as entering ninth-graders during the 2003-2004 school year, and most had been in the New York City public schools in lower grades. Some entered the school system during Grade 9. The remainder transferred into the New York City public schools during high school and became

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<sup>4</sup> ARIS, the Achievement and Reporting Innovation System, is a new tool developed to provide school administrators and teachers with their students' academic information. Through the ARIS Parent Link, parents have access to course grades, periodic assessment results, state test scores, enrollment history, and attendance information.

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part of the cohort as tenth graders in 2004-05, as eleventh graders in 2005-06, or as twelfth graders in 2006-2007.

Each student who is counted in the Department's graduation analysis is determined to be in one of four possible categories based on his or her status at the end of the school year that they were expected to graduate. Using the traditional New York City methodology, *graduates* are students who have received a high school diploma, GED, or special education certificate by June or August 2007. *Still-enrolled* students were still on register as of June 30, 2007 and scheduled to continue into a fifth year of high school in Fall 2007. *Dropouts* are students who have left the school system without enrolling in another education program that leads either to a high school diploma or prepares the student for the Test of General Educational Development leading to a general equivalency diploma (GED). *Discharges* are students who left the school system primarily to enroll in another educational program or setting. Students who aged out of the school system, i.e., reached the age of 21, and students who died or went to prison prior to completing high school, are also counted in this category.

To calculate the four-year graduation rate for the cohort, the number of graduates is divided by the number of graduates plus still-enrolled and dropouts. In other words, only discharges are excluded from the denominator for the graduation rate calculation; "still-enrolled" students count no differently from dropouts.

The Department takes its responsibility to report accurate graduation rates very seriously, which is why it has asked the independent audit firm Ernst & Young to audit our rates for each cohort from the Class of 2005 through the Class of 2007.<sup>5</sup> Through this audit, Ernst & Young determines whether the recorded date of graduation confirms that the student has been calculated in the correct cohort. In particular cases where the automated student records appear to be inaccurate or incomplete, Ernst & Young follows up at the school level to review the student's cumulative achievement record at the school to support the student's inclusion as a graduate in the cohort calculation, including, where called for, a review of credits earned or Regents' exams passed, as well as documentation to support a student's discharge or still-enrolled status.<sup>6</sup>

Previously, including when the Comptroller was himself the President of the Board of Education (from 1996 - 2001), no such independent audit was conducted. In addition, since 2002 when the Board of Education became the Department of Education, the Department has introduced a number of accountability tools that have provided school leaders with additional resources to

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<sup>5</sup> See Appendix A: Ernst & Young, Audit Report to the Department, June 2008. Also see Appendix B, June 19, 2009 letter from David Milkosky, Partner, Ernst & Young

<sup>6</sup> The City and the State currently use a shared methodology to calculate graduation rates. Previously, the City used its own methodology, which remained unchanged since 1986 and is still useful for comparisons over time. Due to the adoption of the State calculation, the Department did not engage Ernst & Young, LLP, in 2009.

Response to NYC Comptroller's Audit Report on the Department of Education's Calculation of  
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help them review and maintain accurate student records, providing additional internal controls to ensure the accuracy of the graduation rate. This spring, we launched a new Progress to Graduation Tool in ARIS, which allows schools to track each of their students in the Class of 2009 through the Class of 2012 as they move toward accumulating the credits and passing the Regents tests necessary to graduate. This tool takes into account the increasingly rigorous standards that students will have to meet over the next four years. Schools are informed if students are off track as early as their first semester, since performance in the first year of high school is a strong predictor of eventual success. As noted, in 2003, the Department also began migrating high schools from the previous UAPC system (in place starting in the early 1980s) for scheduling students and producing transcripts to the more modern HSST system, a migration that was completing during the current school year. Since its introduction in 2003, and particularly since the full-scale implementation of the Department's accountability system in 2007, the HSST system has been enhanced in numerous respects, including efforts to standardize the course codes across all schools citywide. The Department is currently engaged in a comprehensive process to review and conform the course code deck in an effort to ensure that unique codes correspond to unique courses, while retaining the flexibilities permitted under SED regulation.

Overall, the processes now in use to ensure the integrity of the graduation rate have been substantially augmented since the 2001-2002 school year, the last year the Board of Education was in place.

*The High School Scheduling and Transcript (HSST) System*

The HSST system was developed as a tool to assist schools with scheduling students and tracking student progress toward graduation. The system was introduced over the course of several years. It was made available to 16 schools in February 2003 and then to 22 more in September 2003. By February 2004, the Department had installed it in 142 schools with enrollment under 1,500 students. By September 2004 it was extended to 114 schools with enrollment over 1,500 students. It is now available to all high schools and to some middle schools. As of 2007, the system was available to all schools, but was not mandated for use and was not in use in many schools which continued to operate their own in-house transcript systems. Schools are responsible for maintaining students' permanent records, and HSST was meant to serve as a tool to facilitate their record keeping. While more and more schools have come to use the system since 2003, *the system is not in itself the permanent record of a student*. Some schools may use the system in this way, while others continue to use paper files, and may later update HSST to reflect the information found in students' permanent paper records at the school. The Comptroller's lack of understanding of the diverse ways in which Department high schools do or do not use HSST led to erroneous conclusions on behalf of the Comptroller.

Response to NYC Comptroller's Audit Report on the Department of Education's Calculation of  
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***The Comptroller's Audit***

In July 2008, the Comptroller announced his intention to conduct an audit to determine whether the Department properly calculated high school graduation rates for the Class of 2007.

Although the Comptroller understood that the graduation rate for the 2007 cohort is calculated, roughly, by dividing the number of students in the cohort who graduated by the total number of students who were in the cohort as of June of the fourth year of the cohort, the audit tests he performed on the 2007 cohort over the course of the 2008-2009 school year went far beyond any standard assessment of the Department's calculation of the graduation rate.

In fact, the primary procedure an auditor would generally employ to assess the accuracy of the graduation rate calculation is a basic determination whether the school district identified the correct students for the cohort calculation, i.e., whether students were properly assigned to, added to, or removed from the cohort, based on such factors as when they entered high school or when they transferred into or out of the school district.<sup>7</sup> See, e.g., audit report of the Office of the New York State Comptroller, "State Education Department: Accuracy of Graduation and Dropout Rate in Annual Report Cards for Selected High Schools (Report 2008-S-45)," dated March 26, 2009.<sup>8</sup>

As such, the Department expected the Comptroller to perform tests around the entry and exit dates of students added to or removed from the cohort, and to test the underlying evidence for students removed from the cohort as discharges. We are unaware, however, of any prior audit of any school district in New York State by any audit agency that has attempted to assess, on a district-wide basis with a statistically projectable audit sample, whether individual graduates had met each and every requirement for graduation: 5 Regents examinations taken and passed; 44 credits earned; 8 credits earned in English; 8 credits earned in Social Studies, consisting of Global History (4 credits), U.S. History and Government (2 credits), Participation in Government (1 credit) and Economics (1 credit); 6 credits earned in Science; 6 credits earned in Mathematics; 2 credits earned in Second Language.<sup>9</sup> As such, we admire the Comptroller's ambition, and are pleased with the results, which found that the Department's high schools determined with overwhelming accuracy – 99 percent if one accepts the Comptroller's rejection of 2 out of 197 tested students in the sample; 100 percent if one reasonably credits the actual

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<sup>7</sup> Although the Comptroller's May 11, 2009 preliminary draft report contained a preliminary finding that six students were erroneously included in the 2003-2007 cohort and thus questioned the reliability of the cohort data extracted from ATS, the Department's pupil accounting system, the Department was able to demonstrate to the Comptroller's satisfaction that the students were correctly assigned to the cohort. Accordingly, that entire section was removed by the Comptroller prior to his issuance of the draft report.

<sup>8</sup> Available online: <http://osc.state.ny.us/audits/allaudits/093009/08s45.pdf>

<sup>9</sup> As described *infra*, in the section on annualization, SED credit requirements are based on 22 total credits, with one credit generally awarded for a year-long course. The Department implements the SED credit requirements, but with a different accounting, based on 44 total credits, with one credit generally awarded for each semester of a course. See footnote 2 above.

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evidence supporting the graduation of those students – whether students had met each individual graduation requirement.

The auditors never shared with Department officials, however, that it was their intent to look to data in HSST, not merely as a convenient automated starting point of reference for their audit testing of students' cumulative records, but rather with an assumption that the data in HSST *is, or is intended to be, the sole cumulative record*. We deeply regret that the Comptroller did not communicate this misunderstanding to Department officials sooner in the audit process, as most of the errors in the Comptroller's procedures and methodology appear to have resulted from that very basic misunderstanding of what constitutes a student's cumulative record.

On April 19, 2009, when the auditors met with Department officials to share some of their preliminary audit findings for the first time since the initiation of their audit in July 2008, it became immediately clear to the Department that the Comptroller had not performed the procedures necessary to support the great majority of his preliminary findings – namely, a thorough review and evaluation of the school-based information and evidence in the student's cumulative file to support graduation, discharge and dropout determinations, as well as to support any updates or changes made to students' grades or transcripts over the course of their high school careers.

Because the Comptroller had in many cases failed to examine the document repository of record, the Department was forced, in response to the preliminary draft audit report, to itself perform the fieldwork that the auditors had neglected to conduct. This required Department personnel to review the students' cumulative files, including school-level guidance and attendance outreach files, to determine whether the schools could prove the validity of their graduation and discharge determinations, could support any updates or changes to students' grades or transcripts, and could otherwise demonstrate that they complied with all requirements and procedures relating to the matters examined by the Comptroller. The Department then provided the auditors with the results of and evidence derived through its post-audit investigation, including at the exit conference held on May 29, 2009.

### ***The Comptroller's Report***

In addressing the specific findings and recommendations in the Report, it is important at the outset to distinguish between the Comptroller's findings and concerns that questioned student statuses impacting the Department's calculation of the graduation rate and those that did not. In Section I below, we address the two tests that do directly address the graduation rate calculation, the identification by schools of graduates and discharges. In Section II, we address the Comptroller's process and control concerns, which did not lead him to question the valid status of any student that would impact the Department's graduation rate calculation. In Section III, we address the Comptroller's other identified issue, his invention of a new category of so-called "Effective Dropouts."

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**Section I: Comptroller's Tests of Graduation and Discharge Determinations by Schools**

Comptroller's Finding: *Graduation Status of Some Students Are Not Adequately Supported in Permanent Records (Report, p.7-9), and Department Does Not Require That Schools Ensure That Student Permanent Records Are Accurate and Complete (Report, p.9-11)*

Response to Comptroller's Finding:

The Comptroller's reportage on these findings is not accurate. The Comptroller himself found (Report, pp. 1, 7, 8, 17) that the reported graduation status of 195 of 197 sampled students from the Department's Class of 2007 were supported by the evidence presented, and that the Department has established a system of internal quality control reviews to ensure the accuracy of the graduation rate calculation (Report, pp.2, 7). Although based on a search of *unofficial* record repositories, the Comptroller initially challenged 20 graduates, the Department's subsequent inquiry of the *official* record repository in each school demonstrated to the Comptroller's satisfaction that those students were appropriately identified as graduates. In regard to graduating students, the Comptroller initially challenged 20 students. The Department submitted documents on all challenged students, and the auditors accepted the documentation for 18 of the 20 students it challenged. As is clear from the chart below, both of the remaining two students' graduation statuses were improperly rejected by the Comptroller (see student 4 and 6). The schools both students attended demonstrated their qualification to graduate. As the chart below makes clear, the record demonstrating these two students' qualification to graduate is equally as strong as the other 18 student records that the Comptroller accepted as sufficient to demonstrate graduation status.

The following is a summary of the Comptroller's initial allegations in his preliminary draft report, and the evidence in the relevant school's files demonstrating that each student properly graduated.

**Students Identified as Potentially "Misclassified" as Graduates**

| Comptroller Preliminary Issue  | Department Response   | Comptroller Response |
|--|---|----------------------|
| 1 Student did not meet 44 credit requirement                                     | Student took accelerated Astronomy class at Hunter College, which was properly recorded in the student's cumulative record. Issue arose because Comptroller used HSST, rather than the cumulative record.   | Accepted             |
| (1) Student did not meet 44 credit requirement (2) student is missing Economics. | (1) School transcript and paper progress reports verified that the student earned appropriate credit and is a graduate. The issue arose because the school had not fully transitioned to HSST as of 2007, and Comptroller use of HSST, not the cumulative record including paper progress reports. (2) "Globalization" course, satisfying SED Economics requirements, is indicated on the student's transcript. Issue arose because Comptroller didn't initially recognize this as an Economics course. | Accepted             |

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|    |   |   |          |
|----|---|---|----------|
| 3  | Student does not have a transcript  | Cumulative record includes transcript. Issue arose because this school did not use HSST in 2007, and Comptroller used HSST, rather than cumulative record.  | Accepted |
| 4  | Student did not satisfy History or Global History requirements [GLOBAL HISTORY] | Cumulative record includes transcript from New Hampshire school that student previously attended, which includes credit for two history courses, H1 and H2, that satisfy SED requirements. Cumulative record also identifies student's grade of 85 (well above passing) in G4. Issues arose because Comptroller used HSST, not cumulative record, and HSST did not contain reference to New Hampshire credits earned and omitted credit, despite the student's grade of 85. | Rejected |
| 5  | Student did not meet 5 major subject class requirements [SCIENCE]               | School submitted teacher's grade book, documenting that the student took and passed this course. Issue arose because Comptroller used HSST, rather than school records.   | Accepted |
| 6  | Student did not meet 5 major subject class requirements [SECOND LANGUAGE]       | Student took and passed a second language proficiency exam at the end of middle school. NY State regulation, Part 100.4d, states that if a student passes a second-language proficiency exam in middle school, the student may earn up to two high school credits in that second language. Issue arose because Comptroller has chosen to reject school documentation and disregard SED regulation, Part 100.4d.   | Rejected |
| 7  | Student did not meet 5 major subject class requirements [GLOBAL HISTORY]        | Student's cumulative record shows that the student passed course "HRG", a substitute for the H4 credit and also passed the Global Studies Regents Exam, which together are a basis for receiving credit for the G4 course. Issue arose because Comptroller didn't initially recognize the "HRG" code.   | Accepted |
| 8  | Student did not meet 5 major subject class requirements [ENGLISH]               | Student's cumulative record shows that the student demonstrated proficiency for a full year of English in his [her] second semester of a full-year course, and school provided documentation demonstrating its reliance on NY State's annualization policy to award credit for the full-year course. Issue arose because Comptroller was not aware of school's annualization policy.  | Accepted |
| 9  | Student did not meet 5 major subject class requirements [SCIENCE]               | Student's cumulative record shows that the student demonstrated proficiency for a full year of Science in his [her] second semester of a full-year course, and school provided documentation demonstrating its reliance on NY State's annualization policy to award credit for the full-year course. Issue arose because Comptroller was not aware of school's annualization policy.  | Accepted |
| 10 | Student did not meet 5 major subject class requirements [SCIENCE]               | Student's cumulative record indicated that grade initially reported in HSST had been updated in paper transcript. Issue arose because Comptroller only used HSST and not the student's cumulative folder.   | Accepted |
| 11 | Student did not meet 5 major subject class requirements [ENGLISH]               | Pursuant to SED Reg 100.5.7.iv, the college level psychology course the student successfully completed, which required an extensive final paper, qualified as an English (writing) credit. Issue arose because Comptroller was not aware of SED governing regulations.  | Accepted |

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|    |   |  |                   |
|----|---|--|-------------------|
| 12 | (1) Student did not meet 5 major subject class requirements [MATH] (2) Student did not take Economics or Government | (1) Student passed a course in Oracle, which because of its programming content qualifies as a third math course under SED regulation 100.5.b.7.iv.j. Issue arose because Comptroller was not aware of SED governing regulations. (2) Economics and Government courses were indicated on student's transcript in HSST. Issue arose because Comptroller didn't initially recognize "HHF" and "H0" codes as qualifying Economics and Government courses. | Accepted          |
| 13 | (1) Student did not take Regents Exams. (2) Student did not take Economics.   | (1) The school is a portfolio school and therefore exempt from all Regents examinations except for ELA, as per SED waiver letter provided to auditors. Issue arose because Comptroller was not aware of and did not inquire about SED waiver. (2) School incorporates economics into H5 - H7, and credits the courses as 1.25 - 1.50 credits. Issue arose because Comptroller didn't initially recognize combined course codes.                        | Accepted          |
| 14 | (1) Student did not take Regents Exams (2) No evidence of econ or govt  | (1) The school is a portfolio school and therefore exempt from all Regents examinations except for ELA, as per SED waiver letter provided to auditors. Issue arose because Comptroller was not aware of and did not inquire about SED waiver. (2) Student's courses in American Social History and the Middle East satisfied requirements for Government and Economics. Issue arose because Comptroller didn't initially recognize course titles.      | Accepted          |
| 15 | Student did not take Regents Exams  | The student's cumulative records folder at the school documented the student's passage of the Living Environment (science) Regents test, which was not recorded in HSST. Issue arose because Comptroller used HSST, not cumulative record.   | Accepted          |
| 16 | Student did not take Economics  | Student passed AP US History 3, a two-credit course that incorporates economics. Issue arose because Comptroller did not initially recognize combined courses in HSST and did not ask principal or other school officials for documentation of the course's economics components.  | Accepted          |
| 17 | Student did not take Economics  | Same   | Accepted          |
| 18 | Student did not take Economics  | AP Political Government is a two-credit course that incorporates economics. Issue arose because Comptroller did not initially recognize combined courses in HSST and did not ask principal or other school officials for documentation of economics components.  | Accepted          |
| 19 | Student did not take Economics and Govt   | Law 3 and 4 are multi-credit courses that cover government and economics requirements. Issue arose because Comptroller didn't initially recognize combined courses in HSST and did not ask principal or other school officials for documentation of economics and government components.   | Accepted          |
| 20 | Student did not take Government   | Student took the course. Issue arose because Comptroller was initially unable to recognize course codes in HSST.   | Dropped complaint |

As for the 2 students out of 197 (one percent) whose graduation status was rejected by the Comptroller, the evidence provided to the auditors was more than sufficient to support the schools' graduation determinations. One was a student who took a proficiency exam in 8<sup>th</sup>

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grade and, per SED regulation,<sup>10</sup> received high school credit for passing the exam. However, because middle schools did not use HSST in 2002-2003, the high school had to input this examination in the student's 9<sup>th</sup> grade record in HSST in order to account for the credit earned—a reasonable accounting practice. The auditors rejected this explanation, concluding that the Spanish proficiency exam had been taken in the 9<sup>th</sup> grade, thus not falling within the SED regulation requiring the exam to be taken in middle school to justify high school credit. When presented with a letter from the student's middle school confirming that the student took and passed the proficiency exam in his last year of middle school, 8<sup>th</sup> grade – and when presented with proof that the student's high school (like most high schools in the city), did not even offer a Spanish proficiency exam to students (these are only given in middle school) – the Comptroller chose, arbitrarily and unfairly, to reject the evidence that clearly demonstrates the student's qualification for the two units of language credit.

The second graduate whose status was rejected by the auditors was a transfer student, who completed the equivalent of Global 1 and Global 2 in a school she previously attended in New Hampshire, and successfully completed Global 3 and Global 4 at her New York City school. The school had used an unusual code for the Global 4 course and an HSST error caused her transcript to not reflect credit for Global 4, even though her recorded grade for the course was an 85 (well better than passing). When the school was asked to confirm that the student had completed the four-semester Global sequence, the principal confirmed in writing that this was the case based on records in the student's cumulative file. We submitted a letter from the principal to the Comptroller explaining the school's HSST issue for Global 4, and confirming that school-level records demonstrated the student's successful completion of the two New Hampshire courses and the two New York courses. For reasons that remain a mystery, the Comptroller refutes the conclusion that this student properly graduated.

While the report portrays the Department as taking over a month to retrieve students' documents, this complaint masks the reason for the work the Department had to complete in order to demonstrate the appropriate status of each challenged student: during the course of its extended audit, the Comptroller's staff failed to examine the official records repositories in question, requiring the Department to do its work for it. The Department retrieved from the students' cumulative files the records that the auditors themselves would have obtained had they completed a thorough review of the proper repository. The Department was able to assemble, in a very short time, the documents that the Comptroller's staff overlooked in the course of their nearly year-long process. Records were in every case available to prove that the schools came to the appropriate decision in graduating their students, and the records were presented to the auditors at the exit conference, an acceptable venue for the delivery of such materials. The Comptroller's findings that two students' records do not support graduation status decisions is erroneous and stems from the Comptroller's own incomplete review of the students' permanent records.

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<sup>10</sup> Part 100.4d in the SED regulations indicates that if a student passes a second language proficiency exam in middle school, the student may be awarded up to two (2) high school credits in the second language. (Available at <http://www.emsc.nysed.gov/part100/pages/1004.html>)

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Having accepted the accuracy of 195 of 197 school level graduation determinations, the Comptroller unfortunately elects in his report to mute these strong positive findings and focus on the question whether schools reached these correct determinations based on data captured in the right location. In concluding that the records were not properly captured, however, the Comptroller failed to consult the governing SED regulation making the students' school-based cumulative achievement records, not HSST, the repository of record, and thus was himself guilty of looking in the wrong place. The Comptroller thus claims that his review of 197 sampled graduates, found that what he calls "the transcripts" for 19 of them – the first 19 students in the chart above – "did not appear to have evidence that the students had the required number of credits overall, and in major subjects, or had passed all of the required Regents examinations needed to graduate (Report, p.1)."

This finding is inaccurate. First, the Comptroller focused his review entirely on *HSST* transcripts, which, as we have noted, are only one of several ways that schools may choose to track student cumulative records. In many schools, HSST was not the system used to reflect cumulative records. SED Regulation 185.12 and Chancellor's Regulation A-820 identify as a permanent record, "the cumulative record and/or transcript."<sup>11</sup> As we have explained to the Comptroller, HSST was developed and introduced to New York City high schools as a tool to assist them with tracking and scheduling students. The system was not fully operational in all schools, nor was its use mandatory, during the years examined in the audit. State and Department regulations mandate that students' permanent records be housed at the school level. Schools are tasked with ensuring that student records are complete and that students' graduation outcomes are appropriately documented in students' records. Under the Department's guiding principles, schools are empowered to make decisions that work best for their needs, as long as they comply with all applicable laws and regulations. And schools comply with regulations regarding students' permanent records in different ways. This entire section of the report involved no fieldwork, no school visits, and frankly, cursory and incomplete reviews of only one of many recording tools used by our schools, as permissible under State and City regulations. In fact, when notified of these 19 cases of "incomplete" student records, the Department was, in every case, able to retrieve appropriate documentation from schools—documentation that was, in compliance with regulation, housed in the students' cumulative records at the school, or to otherwise demonstrate that the auditors had misapplied the SED graduation requirements to the records.

Throughout the audit, the process by which the auditors determined whether or not students' "permanent records" were complete involved only examining students' HSST transcripts. When they discovered what they believed to be 19 anomalies among the 197 transcripts, they prematurely concluded that students' records were incomplete. In 12 of the cited 19 cases, however, the students' HSST or in-house transcripts were in fact complete records in themselves, records that the auditors failed to correctly understand. It appears the auditors did not have or obtain the necessary background knowledge of state and city regulations in order to

<sup>11</sup> SED Regulation 185.12, Schedule ED-1, and Chancellor's Regulation A-820, Section III. Available at <http://schools.nyc.gov/RulesPolicies/ChancellorsRegulations/default.htm>

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determine with accuracy whether or not a student's transcript supported a decision on graduation, thus erroneously concluding that records were incomplete. Given these cases, at most, the percentage of *transcripts* that the Comptroller can claim to be "incomplete" is 7 (3.6 percent of sampled students).<sup>12</sup> In other words, 96.4 percent of the transcripts were themselves complete and accurate for the students in the sample. This certainly does not imply, however, as the Comptroller would have the public believe, that 3.6 percent of the tested student's *cumulative records* are incomplete. Even for these seven, the students' records, held at the school in compliance with SED regulation, were complete and functional records.

Second, among the allegedly "incomplete" 19 transcripts were instances where certain required courses, such as Economics, were listed on the transcript – often *in HSST* – under a more specific title, such as Globalization or Industrialization, which qualify as economics courses under SED regulations. Even under the Comptroller's erroneous rule that "HSST and only HSST counts," these course were all properly noted. It was only because of the Comptroller's failure to consult SED regulations that he can fault the HSST transcript. Nor did the Comptroller ask the Department or the school whether the courses met the SED's content requirements, instead jumping to the initial conclusion (later retracted in all but two cases) that the students were "improperly graduated." In another case, a student's complete transcript was deemed incomplete by the auditors because they were unaware that SED regulation allows students to receive a third math credit for a specialized technology course that incorporates mathematical concepts,<sup>13</sup> and such a course was clearly indicated on the student's complete *HSST* transcript.

Third, other issues among the 19 flagged by the auditors applied to students with AP courses that incorporated required courses and counted for more than one credit. The auditors' claim that "course equivalents were used by schools to help meet the missing credit requirements for eight of the cited students (Report, p. 9)" is misleading. Most of the eight students in question were top students receiving many more credits than needed to graduate and receiving high grades, including in AP and college-level courses that counted towards state major-subject-area graduation requirements.<sup>14</sup> Again, the Comptroller did not understand the *HSST* code and,

<sup>12</sup> In one of the five cases where the transcript was incomplete, the school omitted the student's passing grade on a Living Environment Regents examination taken shortly before the student's date of graduation. Although ultimately accepting that the student was rightly graduated, the Comptroller treats the case with suspicion in the Report. We find that treatment perplexing, given that the school was able to produce a complete copy of the handwritten examination, signed and dated by the student and initialed in multiple places by the grader and showing both a passing grade and a clear mastery of the material.

<sup>13</sup> Part 100.5.b.7.iv.j of the SED regulations on diploma requirements, available here: <http://www.emsc.nysed.gov/part100/pages/pt100index.html>

<sup>14</sup> A constant in the Comptroller's Report is a disposition to question graduation rights for some of the city's most accomplished students, who received some of the highest grades and many more credits overall than the 44 needed to graduate. Because these students tend to enroll in AP, college, art and other courses for which the course coding conventions in HSST are less well established, these high performers disproportionately appear on the Comptroller's lists of potentially unqualified graduates. It is a testament to the Comptroller's weak audit procedures – especially his reliance on HSST to the exclusion of other records, attention to academic context, or

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rather than consulting state regulations, Department personnel or school personnel, simply jumped to erroneous conclusions about the accuracy of student records.

Comptroller's Recommendation:

1. *Ensure that HSST reflects that a student has met graduation requirements before a diploma is given. (p. 11)*

Response to Recommendations:

HSST was developed as a tool to assist in this process, and the Department will continue to work toward enhancing the utility of the program at the school level. In seven cases, far fewer than the 19 reported by the Comptroller, student HSST transcripts were missing information that was otherwise included in the students' school-based cumulative records. Since 2007, more schools are using HSST for tracking student progress toward graduation requirements. Schools, however, continue to document credit in other ways as well, as permitted under state and local regulations. The 99 percent accuracy rate the Comptroller has demonstrated indicates that, whatever the system used, schools are taking very seriously their obligation to hold students to state graduation requirements and document that they have done so.

Comptroller's Recommendations:

2. *Develop controls to help ensure that schools comply with State requirements and accurately maintain permanent record cards for students.*
3. *Ensure permanent record cards and/or transcripts are updated timely and contain all subjects taken, credits earned, and grades received from Regents exams or equivalents.*
4. *Implement controls to ensure that schools make sure transcripts and permanent record cards of general education graduates reflect that they have accumulated required number of credits overall and in major subjects and pass all required Regents exams. (p. 11)*

Response to Recommendations:

The findings of this audit confirm the accuracy of our schools' determinations and support a conclusion that the controls in place at the school level are significantly better than the

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even a glance at the student's overall performance as manifested in HSST itself – that high performing students are disproportionately represented on his lists of students to whom the Department should have considered denying a diploma.

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Comptroller suggests. In addition, principals are already required to affirmatively certify the accuracy of student status in ATS, the Department's pupil accounting system.

Our schools have maintained student records in accordance with SED and Department regulations, which indicate that students' permanent records be maintained at the schools, including information on school entry, withdrawal and graduation, and on subjects taken and grades received from examinations. The Department provides numerous supports to facilitate schools in this process. The Department publishes an annual Graduation Requirements Workbook<sup>15</sup> and disseminates it to all high schools in order to assist school officials and guidance counselors in making appropriate graduation determinations. Schools also receive an annual graduation memo and suggested checklist, providing additional guidance on tracking students' progress towards and eligibility for a high school diploma.<sup>16</sup>

Through these checklists and other tools, the Department supports and facilitates the review and timely update of student permanent records. It is therefore inaccurate and unfair for the Comptroller to imply that certification processes are not in place and rigorous at our high schools, when their cursory investigation focused strictly on HSST transcripts, which are one tool among many used by our schools to document student credit and exam information within a student's records, and when the accuracy of their graduation determinations was proven exceptional by this audit. We will continue to provide schools with detailed professional development on the use of HSST for recording student information and are committed to seeking opportunities for continuous improvements, as is the case with all of our systems.

Comptroller's Finding: *Schools Did Not Maintain Sufficient Evidence to Support Classification of Students as Discharges* (p. 16)

Response to Comptroller's Finding:

*Discharges* are defined as students who left the school system to enroll in another educational program or setting. Students who aged out of the school system, i.e., reached the age of 21, and students who died or went to prison prior to completing high school, are also counted in this category. The Comptroller reports that "the documentation provided by Department was acceptable for 13 students and rejected for one" of the 14 out of 80 sampled discharges initially challenged (Report, p.17). After receiving the comptroller's list of 14 students out of their sample of 80 whose discharges were questioned, the Department was able to obtain

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<sup>15</sup> The requirements pages of these workbooks are also made available online, and can be accessed here in English and eight other languages here: <http://schools.nyc.gov/RulesPolicies/GraduationRequirements/default.htm>

<sup>16</sup> The diploma requirements worksheet is available here: <http://schools.nyc.gov/NR/rdonlyres/2ABC8D78-F567-465D-968B-EA45C0C40FF3/50146/DiplomaRequirementsWorksheet.pdf>

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documentation from the student's schools supporting appropriate discharge procedures and determinations in every case but one.<sup>17</sup>

State regulations require schools to verify enrollment in a new school for students who have left New York City but stayed within the United States. For students who have left the United States, state regulations require only that the school obtain verification of the city and country to which the student moved.

In inquiring about the schools' contemporaneous evidence supporting the discharge determinations whose validity the auditors have now accepted, the Comptroller ignores the fact that in all accepted cases where students moved within the United States, the school had verified the receiving school in which the student had enrolled. For that reason, they were easily able to obtain the supplemental written confirmations that led the auditors to accept the validity of the discharges. For the two students who moved outside the United States, the schools had the required verification of the city and nation to which they had moved in their contemporaneous records.

The bottom line, again, is that the Comptroller has accepted the accuracy of 79 out of the 80 sampled discharges (99 percent), which in itself is strong evidence of the quality of the schools' procedures and controls.

Comptroller's Recommendation:

*11. The Department should implement controls to ensure that schools only classify students as having been discharged when the discharge has been appropriately documented, and ensure that it is properly recorded in ATS. (p. 17)*

Response to Comptroller's Recommendation:

The strength of the schools' existing controls is supported by the fact that the Comptroller accepted the additional documentation we provided in support of 13 of the 14 discharge cases they cite, and verified 79 of the 80 sampled discharges overall. However, we will reinforce with schools the importance of obtaining and maintaining written documentation to support any verbal verification obtained from the out-of-district schools to which their students have transferred.

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<sup>17</sup> In the one case that was not accepted by the Comptroller, the school's records included a completed "planning interview record" documenting that the student intended to enroll in a specific GED program. However, we agree that the school should have attempted to confirm the student's actual enrollment in the specific GED program in question before recording the discharge in ATS.

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**Section II: Comptroller's Process and Control Findings that Do Not Question the Status  
of any Student for Purposes of the Department's Graduation Rate Calculation**

*Note: The deficiencies cited in these sections of the Comptroller's Report did not call into question the graduation or discharge status of any student.*

Comptroller's Finding: Department Has Minimal Oversight of the Process of Annualization (p. 11)

Response to Comptroller's Finding:

As is noted in footnotes 2 and 9 above, SED regulations on requirements for graduation anticipate and permit annualization. Under state regulations, students receive one credit per year-long course, with 22 credits needed to graduate. The Department employs a 44 credit calculation in order to provide flexibility to schools in scheduling high school courses on a semester basis to meet student needs. Annualization – leading to the award of two NYC credits (one NY State credit) at the end of a full year sequence of course work – is permissible if the student masters the material and completes the full year's worth of course requirements by the end of the year, even if he or she did not finish the first semester's worth of requirements by the end of the first semester. Proceeding otherwise could put New York City students at an unfair disadvantage compared to their peers in the rest of the state, and would have the effect of denying credit to students for whom state law requires that credit be given based on the successful completion of a year's worth of course work. As the letter annexed as Appendix C demonstrates, New York City schools have practiced annualization for decades, including during the Comptroller's terms as President of the New York City Board of Education. The Department expects schools practicing annualization to have an established policy to use that procedure, which was demonstrated in the two cases where the matter arose during the Comptroller's audit.

Comptroller's Recommendation:

*5. Department should develop minimum standards to be followed by schools with regard to annualization to help reduce the risk of abuse, and should follow up with schools periodically to ensure that the standards are being followed. (p. 12)*

Response to Recommendation:

While SED establishes curriculum standards and course and exam requirements for high school graduation, principals have significant latitude to determine school-specific ways to meet these requirements, provided that seat time requirements are met and required examinations are administered. Often, principals make these decisions in consultation with teachers through school accreditation committees. While SED regulations clearly support the annualization of

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major subject courses, we will further review the use of the policy by our high schools and provide further guidance to schools. As noted, the Department expects schools to have an established policy for using that procedure and will reinforce with schools the need to memorialize that established policy in writing.

Comptroller's Finding: *Students received multiple credits for the same course (p. 12)*

Response to Comptroller's Finding:

The Report asserts that 39 students took the *same course* multiple times and received credit for the duplicate courses. This is inaccurate. Instead, it appears that these students attended schools that did not use unique course codes to indicate the student's enrollment in different courses.<sup>18</sup> The majority of the relevant courses were in physical education, which students may take each year, for credit. Band, yearbook and advisory were other cases in which students frequently and appropriately enroll over multiple semesters and years, but the school used the same code in HSST to indicate the course.

In one case identified by the auditors, a student's HSST transcript had multiple occurrences of a code that signified that the student took the course off site, in this case at Hunter College. This advanced student completed multiple, different, college courses, and the school used one code to indicate that certain course requirements were met through college enrollment. In short, the report misrepresents reality by offering a finding that students were credited twice for repeating a course.

As for the two cases the report includes as examples where students were double credited for major subject areas, we went to the schools, and determined that in neither instance did the double crediting constitute wrongdoing or improper graduation determinations for the students. The table below, details the two cases.

| Issue             | Comptroller's Claim  | Department's Response  |
|-------------------|--|--|
| Duplicate Courses | Student failed English 3 and took two courses in English 4 | Student took one English 4 course at her own school, and then took a different "English 4" course in summer school at a different school. Because English curricula are not standard or sequential, it is acceptable for students to take different courses in English, each coded English |

<sup>18</sup> The Comptroller performed no field work to support his reported conclusion that the repeated course codes identified on HSST transcripts in fact reflected instances of students receiving multiple credit for the same course.

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|                   |  |   |
|-------------------|--|---|
|                   |  | 4, to fulfill a missing semester of 10 <sup>th</sup> grade English.   |
| Duplicate Courses | Two credits for Global 1 and no evidence of Global 4 | The student transferred to a different school where he was scheduled for Global 1. Upon receipt of the student's transcript, it was found that the student had taken Global 1 at his previous school. The school then counted the additional credit of Global 1 as an elective credit. The student also took and passed Global 4, coded in HSST as HRG. This student did take the appropriate sequence of courses, and graduated with 48 credits, beyond the 44 required. |

Comptroller's Recommendation:

6. Implement controls to ensure that students are not allowed to repeat major subject classes previously passed in order to compensate for not taking or passing other major subject classes. (p. 12)

Response to Recommendation:

As detailed above, what the Comptroller largely identified were repeated course codes, not repeats of the same class. The Department's Division of Information and Instructional Technology (DIIT) is working to develop and implement more standardized course coding to facilitate better use of course codes in HSST. The Department is working to ensure that distinct courses are assigned distinct codes to the greatest extent possible.

Comptroller's Finding: Inadequate Grade Change Controls (p. 13)

Response to Comptroller's Finding:

This section of the Comptroller's Report is perhaps its most distressing in its efforts to cast aspersions on the hard work and achievements of the students, teachers, counselors and administrators at New York City high schools. From the Comptroller's perspective, every

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correction or update to a student transcript is evidence of potential fraud. The implications of fraud are scattered into the Report almost as asides, and are based entirely on the auditors' review of data or of discrete records they requested without giving school officials the necessary context for their request to enable them to provide other forms of evidence supporting the transcript changes in question. Essentially no time was invested by the auditors in actually speaking with school personnel to obtain explanations for the individual transcript changes that they sum together in the Report or spin out as examples of possible fraud.

Over the course of nearly a full year, the auditors had every opportunity to share and discuss with schools and/or with central Department officials their areas of concern, including any grade or transcript changes that they believed, upon their cursory review of data and some discrete records, raised questions. Because that was not done, the Department was again left to retrace the Comptroller's audit and conduct the comprehensive school-level interviews and records review that should have been performed by the auditors. As is discussed earlier in this Response, the Department, through its extensive post-audit review of the Comptroller's preliminary findings, proved the correctness of the schools' graduation and discharge determinations to an accuracy rate, accepted by the Comptroller, of 99 percent. In the two weeks provided to respond to the Report, that review was extended to investigate the individual cases cited in the Inadequate Grade Change Controls section of the Report. That investigation has identified serious errors of omission in the Comptroller's investigation and reportage.

Generally the Comptroller's suspicion relates to his misunderstanding of how our schools use HSST. As we have stated, HSST is not, in itself, the students' permanent record; it is a tool schools may use for tracking students' credit accumulation, but in itself does not comprise a student's comprehensive record. Schools frequently update HSST in batches, at the end of semesters, in order that the system accurately reflects students' permanent record. Therefore, changes made in HSST are commonplace, as schools update the system to mirror students' records.

Comptroller's Finding: Changes Made Without Audit Trail (p. 13)

Response to Comptroller's Finding:

The Comptroller suggests, incorrectly, that it is possible to change a student's record in HSST without a record of such change. Here the Comptroller has made a clear error that would have been avoided easily had the auditors engaged in more open and active communication with appropriate school and central officials. Contrary to the report's claim, the HSST system automatically records the date, name and application used to make any changes to a student's grade, schedule or transcript. Staff from DIIT met with the auditors and showed them the automatic auditing functions of the system. Some changes to transcripts may show up only in the grade change logs, because a grade change automatically leads to a change in the transcript. Since a grade change causes a transcript change, the change will not be recorded in the transcript change logs, but the audit trail in the grade change log serves the same, sufficient purpose.

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The Department has obtained grade change reports for each of the 12 students for whom the Comptroller claims audit trails did not exist. Therefore, the Comptroller's claim that "there appears to be a way for schools to add credits to student transcripts without being detected" is wholly unfounded. All changes are recorded in either the grade change log or the transcript change log, depending on the function performed. The auditors' failure to accurately interpret the records they examined, combined with their reticence to conduct the necessary interviews or ask the necessary questions to understand the system they examined, has again led them to make inaccurate claims.

Comptroller's Finding: Transcripts Updated prior to or after Graduation (p. 14)

Response to Comptroller's Finding:

The Comptroller observes that, "graduates' transcripts had been revised and that many changes were made close to the graduation date, sometimes within days of graduation." Because school officials are encouraged and expected to independently evaluate each students' progress toward and eligibility for a diploma, one would expect those evaluations to lead to the identification of necessary updates in HSST, and one would expect a large number of evaluations and updates to occur close to the time of graduation determinations. Data entry needs arising from entry errors, or updates in students' grades due to makeup work, summer school, or course annualization, are identified during reviews by school officials shortly before graduation, and in some cases may not be corrected in the data system until after graduation, when staff have more time to catch up on data entry. All of these practices reflect acceptable school policies given the reality of day-to-day life for students and administrators. The Comptroller's implications that these changes are improper are baseless and do not reflect the reality of schools' individual record keeping practices. The table below outlines the explanations for the specific transcript updates cited by the Comptroller.

| Issue  | Comptroller's Claim                     | Department's Response   |
|--|---|---|
| Transcript updates prior to graduation (1 of 3)* | 5 Spanish credits added in one semester | The SED regulation on high school graduation requirements states that "A student who earns a score of at least 85 on the comprehensive Second Language Regents examination and meets the requirements of subparagraphs (i), (iii), and (iv) of this paragraph shall receive three units of credit." |

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|   |  |   |
|---|--|---|
|   |  | The school awarded 5 semester-length credits (the equivalent of 2.5 state credits) for the student's score of 96, indicating the language proficiency of a student who had passed a sequence of courses in the relevant language. |
| Transcript updates prior to graduation (2 of 3) | Two grades of 55 changed to 65   | Student completed independent study and make-up work leading to a grade change. Statement from principal obtained.  |
| Transcript updates prior to graduation (3 of 3) | Student earned 5 credits in summer school – 3 make up and 2 enrolled courses | Student completed make up work for three courses and passed two summer school courses. Student graduated at the end of the summer. Statement from principal obtained.   |
| Transcript updates after graduation (1 of 2)    | Grade change from 55 to CR for Global 4                                      | Student completed make up work. HSST was updated to reflect student's record. Statement from principal obtained.  |
| Transcript updates after graduation (2 of 2)    | Two more credits added in July   | Student completed summer school courses. Statement from principal obtained.   |

Comptroller's Recommendation:

7. Ensure that there is a proper segregation of duties concerning the entering and approval of grade and exam score changes in HSST. (p. 15)

Response to Recommendation:

HSST is designed to segregate the two different processes of entering information and approving the entry. We will work to implement changes to the system to require that these operations be performed by two distinct users.

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Comptroller's Recommendation:

8. Ensure that all grade and exam score changes made to student transcripts are permanently traceable in HSST (p. 15)

Response to Recommendation:

This recommendation is based on an inaccurate premise. HSST already generates and preserves audit logs for every grade change and every transcript change. However, as discussed above, some changes to transcripts may show up only in the grade change logs because a grade change automatically leads to a change in the transcript. Since a grade change caused a transcript change, the change will not be recorded in the transcript change logs. Our review of all cases cited by the Comptroller's office as lacking audit trails, revealed that all of the cases did indeed have those grade changes recorded in the audit trails.

Comptroller's Recommendation:

9. Tighten controls related to grade changes made shortly before and after graduation (p. 15)

Response to Recommendation:

Grade changes made near the time of graduation show that principals are indeed checking and updating transcripts to accurately reflect student course and exam records. There are multiple circumstances in which grade changes made near graduation result from legitimate changes in student outcomes in courses due to the completion of missed or make-up assignments, and on exams that were taken and passed near the time of graduation. Also, since HSST is but one tool schools use to track progress towards graduation, and given the substantial pedagogic and administrative burdens on high school officials in June, it is entirely reasonable that HSST in many cases is updated early in the summer to accurately reflect data already included in the student's permanent records.

Comptroller's Finding: Some Graduates Did Not Attain 90 Percent Attendance (p. 15)

Response to Comptroller's Finding:

The Comptroller finds that schools do not strictly enforce Chancellor's Regulation A-501. The Department's Promotional Policy, as outlined in Chancellor's Regulation A-501, includes an attendance component that targets a 90 percent rate of attendance as the goal for all students. Promotion is based upon the assessment and consideration of all stated criteria for each grade

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and may not be based upon the consideration of a sole criterion (with certain exceptions of Performance Level requirements at specified grade levels).<sup>19</sup>

The indicated attendance criterion is a standard toward which students at all grade levels are expected to strive. The 90 percent attendance rate is one of the factors that has been included in the overall assessment of a student's readiness for promotion to the next grade level. However, if students meet other promotional criteria without attaining the 90 percent attendance goal they are promoted and are not held over for not reaching this specific attendance rate.

Comptroller's Recommendation:

10. Department should review attendance requirement for graduation and consider whether an enforceable standard (with approved exemptions) can be established. (p. 15)

Response to Recommendation:

The Department will update the language of Chancellor's Regulation A-501 to better reflect the Regulation's intent. The intent of the regulation, which pertains to promotion requirements as well as graduation requirements, is to position attendance as one factor for schools to consider in looking at student records as a whole in the context of making promotion decisions in certain grade levels. Schools understand and practice this intent although we agree that this intent is not sufficiently clear in the current language of Chancellor's Regulation A-501.

**Section III: Comptroller's "Other Issue"**

*Note: This section of the report has no impact on the Department's graduation rate calculations, because dropouts and students "still enrolled" are counted exactly the same for the graduation rate calculations. If students did not graduate within four years, they count in the denominator but not the numerator of the graduation rate calculation, thus decreasing the graduation rate.*

Comptroller's Finding: Effective Dropout Rate May Be Higher than the Official Rate Reported by Department (p. 17)

Response to Comptroller's Finding:

Stretching to find something negative to say, the Comptroller literally invents a category of students—"Effective Dropouts"—and asserts that the Department under-represents them. By "effective dropout" he appears to identify students who have left school but have not yet been formally designated as dropouts, even though they are truant. In addition to the fact that the Comptroller invents this "effective dropout" concept out of whole cloth, there are two problems

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<sup>19</sup>Chancellor's Regulation A-501 is available online at: <http://docs.nycenet.edu/docushare/dsweb/Get/Document-24/A-501.pdf>

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with the analysis. First, even if the Comptroller is right on the facts, this error would have no bearing on graduation rates; even a student formally designated as "still enrolled" is in the cohort that constitutes the denominator of the graduation rate. Thus there is no incentive at all for the action he suggests. Second, the Comptroller is *wrong* on the facts of the individual students in question. The Comptroller acknowledges that State law precludes the Department from classifying students as dropouts except under specific circumstances. Department rules require outreach to truant students and their guardians to secure their attendance at a conference. As long as that outreach is continuing, the students should be reported as still-enrolled. Any contrary policy would lead to the premature *push-out* of students whom schools should be endeavoring to the fullest extent possible to get to return to the classroom. The Comptroller's audit did not examine the outreach/follow-up efforts of the schools for the students cited. In fact, they conducted no fieldwork at the schools to support their findings or recommendation in this section of their Report. Nonetheless, without basis in law or fact, the Comptroller categorized those students as "effective dropouts", in denigration of the rights of those students and the obligations of our schools under both State law and Department regulations. This type of reportage is neither illuminating nor productive. Furthermore, we believe the Comptroller misunderstood the incentives for schools. High schools are evaluated under the SED's and the Department's accountability metrics based on their graduation rates, not their dropout rates. Still-enrolled students count against the four-year graduation rate in the same way as dropouts. As such, still-enrolled students weigh just as heavily as dropouts against the school's graduation rate, leaving minimal incentive for schools to over-report students as still-enrolled. In addition, to the extent those students become dropouts in year five, they would be reported in the school's dropout rate in the 5-year reporting.

In fact, the Department has enhanced its controls in this area to protect against a contrary and far more dangerous incentive – the incentive for high schools to 'push out' under-credited students to GED programs or other non-degree granting alternative schools so as to remove them from the register as 'discharges' who would not count in the denominator for the calculation of graduation rates. Consistent with federal and SED policy, we have deliberately sought to make it more difficult for schools to remove students from their rolls. The laws, regulations and controls are designed to promote that the high schools retain responsibility for under-credited and truant students and to conduct all possible outreach to keep those students in school beyond their fourth year to continue pursuit of a diploma, even though the students will count against the schools' and thus the Department's four-year graduation rates. Accordingly, to define these students as "effective dropouts" undermines public policy.

Upon receiving the spreadsheet of 11 students that the Comptroller's office, based solely on ATS attendance data and without any field work at the schools, deemed "effective dropouts," we determined that at least five of those 11 students should not and could not under any circumstances have been legally classified as of June 30, 2007 as dropouts because they did not finish the year with a string of at least 20 consecutive days of absence. As such, we do not understand how the Comptroller cites these 11 cases as evidence of a risk that schools may have intentionally delayed the classification of these students as dropouts. For the remaining 6 of 11 students who did have at least 20 consecutive absences at the end of the 2006-2007 school year, the Department has followed up with the schools and determined the extent of the

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schools' active outreach to get each student back to school to continue pursuit of his/her diploma or to formalize his/her intent to drop out upon a discussion with a counselor about his/her rights and options. In every case, the school had documented ongoing efforts to reach the truant students and/or their guardians and to bring them into the school for a conference. In short, the schools had not given up on the students, but the Comptroller has given up on them and contends the schools should have done so as well.

It is the policy of the Department for schools to make every possible effort to ensure that students remain in school until they receive a diploma. In order to support that policy the Department has implemented safeguards in the form of outreach procedures and guidance support before allowing the discharge of students. All students who leave school prior to receiving a diploma are required to have a "Planning Interview". The purpose of the planning interview is to ensure that students who leave school prior to being granted a diploma are provided with counseling, guidance and information concerning their current and future educational options. Each planning interview is reviewed and approved before the discharge is actually effectuated.

Schools are cautioned against dropping students out too quickly, at the first point of eligibility, which is on June 30<sup>th</sup> of the year in which they turn 17 years of age. In accordance with this policy school staff therefore may, in the best interest of the student, choose to give the student who first becomes eligible for discharge on June 30<sup>th</sup>, opportunities to re-connect with school in the form of a "fresh start" in September of the new school year. The Comptroller reports that five of the six truant students were discharged on the first day of the 2007-2008 school year. This is not unusual or untoward. If the school's efforts in the new school year to re-connect with truant students are unsuccessful at bringing the student back to school, the school is expected to enter the dropout retroactively to the first day of the new term, even if outreach efforts extended well into the term. Schools have documented evidence of outreach efforts in 2007-2008 for four of the five students, evidence that these dropout dates were inserted after continued outreach in the new school year proved unsuccessful. The fifth student had extensive and well-documented outreach efforts toward the end of the 2006-2007 school year.

Overall, the goal for the schools should be to convince those students to return to school to continue pursuit of their diploma in SY '07-'08, *not* to drop them out as expeditiously as possible, as the report seems to suggest. If the Comptroller wishes, the Department would be happy to provide regulations and guidelines on school outreach efforts to chronically absent students, and to produce evidence of students who were legally eligible to be dropped out of school, but who due to the outstanding outreach efforts of our schools were convinced to return to school, and who as a result ultimately achieved their diplomas.

Comptroller's Recommendations:

11. Department should implement controls to ensure that schools follow the proper protocol and follow up in a timely manner with students who do not attend school. (p. 17)

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Response to Recommendation:

As noted above, the Comptroller has no basis upon which to question whether schools are following the proper protocol and following up in a timely manner with students who do not attend, because the auditors performed no field work to assess the school's outreach efforts. The Department already has controls to encourage schools to conduct outreach with truants and their guardians to convince them to return to school and to assist them in accessing appropriate supports. It is not the policy of the Department to discharge students at the earliest legal opportunity.

To support schools in their efforts, the Department has developed and refined an extensive process to ensure that students who are eligible to drop out of school are provided with counseling, guidance and information. The decision to drop out of school is reviewed and students are presented with options to support their remaining in school. More specifically, the planning interview process is structured to serve the following purpose:

- to provide an accurate assessment of the student's progress towards graduation;
- to determine the reason for the student's absence or desire to leave school and to try to assist the family and the student in developing a plan for his or her completion of high school;
- to explore the actions the school can take to facilitate the student's continued progress towards obtaining a high school diploma, e.g., changes in the student's educational program, referral to another Department school or program, referral to the Committee on Special Education and/or referral to a social service agency or community-based organization;
- to encourage the student to remain in school until he/she has been granted a diploma or until the end of the school year of his/her 21<sup>st</sup> birthday;
- to communicate to the student and parent the right of the student to re-enroll in school through the age of 21.

Closing Remarks

It is difficult to fathom the Comptroller's decision to de-emphasize his consistently favorable findings on the accuracy of graduation and discharge status determinations at Department schools. After expending a wealth of public time and resources on his audit, the Comptroller concluded that New York City schools' graduation and discharge determinations are accurate at a rate of 99 percent. Yet, ignoring his own positive findings, the Comptroller focuses his Report almost exclusively on minor quibbles about aspects of schools' use of a new automated tracking system, HSST, and raising unwarranted, unfair suspicions regarding school conduct, based on cursory and incomplete inquiry. That the Comptroller has had to struggle this hard to find fault with the Department's handling of graduation rate determinations, after a nearly year-long audit, is a testament to the accuracy and integrity of graduation determinations and rigorous attention to graduation requirements at our schools.

**APPENDIX A:  
Report of Independent Accountants on  
Applying Agreed-upon Procedures**

Ms. Jennifer Bell-Ellwanger  
Executive Director  
Content and Assessment Support & Summative Assessments  
New York City Department of Education  
52 Chambers Street  
New York, NY 10007

Dear Ms. Bell-Ellwanger:

We have performed the procedures enumerated in Appendix B, which were agreed to by management of the New York City Department of Education ("the Department"), solely to assist the Department in validating the accuracy of the Department's calculation of the High Schools Class of 2007 Graduation Rate.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Department. Consequently, we make no representation regarding the sufficiency of the procedures described in Appendix B either for the purpose for which this report has been requested or for any other purpose.

Attached as Appendix A is an Executive Summary, which includes the Scope and Objectives, and a Summary of Results. Appendix B is also attached, which details the agreed-upon procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Department, and is not intended to be and should not be used by anyone other than the specified parties.

*Ernst & Young LLP*

July 11, 2008

**New York City Department of Education**

**Summary of Agreed-upon Procedures**

**Executive Summary**

**Scope and Objectives**

The objective of this engagement was to perform certain agreed-upon procedures (as defined in Appendix B) to validate the accuracy of the Department's calculation of the High Schools Class of 2007 Graduation Rate.

The following is a brief summary of the agreed-upon procedures performed:

- Using the electronic data file of the entire population of the Class of 2007 City Graduation cohort data, we recreated and performed certain procedures to determine the accuracy of the reports used by the Department to perform the calculation of the Class of 2007 Graduation Rate.
- Using statistical sampling, we selected and applied attribute testing to students' admission and graduation status as included in the Class of 2007 City Graduation cohort file.

The specific agreed-upon procedures are included in Appendix B of this report.

**Summary of Results**

We tested, without exception, the mathematical accuracy of the calculation of the graduation rate, dropout rate, and still enrolled rate listed in Table 1 of Appendix C.

With the exception of the those findings summarized below, there were no other exceptions noted relative to the agreed-upon procedures enumerated in Appendix B.

There were three exceptions in the sample size of 335 students.

There were no exceptions related to the students in the sample tested whose status was a graduate. All three of the exceptions identified were due to the fact that the schools could not provide sufficient documentation to support the students' date of admission, or discharge status as reported in the cohort.

## **New York City Department of Education**

### **Summary of Agreed-Upon Procedures**

1. We obtained the electronic file prepared by the Department's Division of Information and Instructional Technology ("DIIT") and the Department's Office of Accountability of the entire population of the Class of 2007 City Graduation cohort data ("the data file"). The data file was used by the Department's Office of Accountability to perform the calculation of the High Schools Class of 2007 Graduation Rate.

We obtained a hard copy of the report, "Four Year Outcomes (Number of Students) for the Class of 2007, by School and District, including August 2007 Graduates" generated by the Office of Accountability. One report was prepared for each District, which identified the number of students who were still enrolled, dropouts, graduated or were discharged for each school in the respective District.

Using the data file and hard copy of the report, we performed the following procedures:

- (a) Using the data file, definitions of fields provided by the Office of Accountability and Audit Command Language ("ACL") data analysis software, we recreated the individual report for each District. We matched the number of students who were still enrolled, dropouts, graduated, or were discharged to the hard copy of the report provided by the Department.
- (b) Using the data file, we tested the mathematical accuracy of the columns for the number of students who were still enrolled, dropouts, graduated, or were discharged for each District.
- (c) Using the data file, we tested the mathematical accuracy of the totals for each District for the number of students who were still enrolled, dropouts, graduated or were discharged to a grand total, and matched the grand total to the Citywide totals.
- (d) Using the number of students counted as graduated, still enrolled and dropouts, we recalculated the percentage of students for each of these status categories, and matched those percentages to the percentages calculated by the Department.

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2. Using the data file and ACL software we generated a report of "The Class of 2007 City Graduation Cohort" for each High School identifying the student name, ID number, and final status. The report summarized the number of graduates, dropouts, and still enrolled students for each High School.

Using the data file and report, we performed the following procedures:

- (a) We tested the mathematical accuracy of the students to totals identified as graduates, dropouts, and still enrolled for each High School.
  - (b) We read correspondence received by the Department's Office of Accountability from seventeen High Schools, confirming the accuracy of the students counted as graduated, dropouts, or still enrolled for the respective High School.
  - (c) We matched the totals from the report generated in Procedure 2 to the totals for each High School in the individual report for each District (created in Procedure 1).
3. Using Statistical Sampling Attribute Tables for Random Sampling, we determined the appropriate sample size of students to be selected for detailed attribute testing. The sample size was calculated based on a population of 88,963 students, a Confidence Level of 95%, and a Precision Level of +/- 5%. (The Confidence Level and Precision Level were provided by Department management.) The calculated sample size was 335.
  4. Using the data file, 335 students were randomly selected for testing using ACL.
  5. Using the data file, definitions of data fields provided by the Office of Accountability, and ACL software we recreated Table 1 (see Appendix C).

Using ACL software, we sorted the 335 students randomly selected in Procedure 4 above, by Grade and Year of Admission and performed the following procedures to validate the appropriateness of the students' inclusion in Table 1:

- (a) Obtained the electronic file of the Spring of 2003 Eighth Grade test scores, prepared by the third party vendor which administered the test. We matched the student ID numbers from the electronic vendor file to the data file.
- (b) For students without Eighth Grade test scores, and/or students admitted subsequent to the Ninth Grade, we matched the Grade and Year of Admission

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data to Admission forms or High School transcripts, or other applicable alternate supporting documentation.

- (c) We validated the accuracy of transfer/discharged students by reviewing the date of transfer on "Form 407 Attendance Follow-up and Outreach" form ("Form 407"), a Discharge Form, or other applicable alternate supporting documentation.
6. Using the 335 students randomly selected in Procedure 4, we performed the following procedures to validate the students' graduation status, still enrolled status, dropout status, or transfer/discharged status:
- (a) We tested graduated students status to an official transcript received directly from the High School Scheduling Transcript System or official Graduation Certificate, noting the date of graduation was between January and September 2007.
  - (b) We tested still enrolled students to a Spring 2007 or Fall 2007 Grade Report from the ATS System, or official attendance records for the period August 2007 forward.
  - (c) We tested dropout students to a signed Form 407, Transfer/Discharge Form, Planning Interview Form, and/or the High School's attendance report or letter or other applicable supporting documentation.
  - (d) We tested transferred/discharged students status to Dismissal Form 407, a Discharge Form, or other applicable supporting documentation.

**Table 1**  
**Grade and Year of Admission to, or**  
**Transfer from, the Class of 2007**

Grade and Year of Admission to, or Transfer from, the Class of 2007

| and Year                 | Base Population | Admissions   | Discharges)   | In Class      |
|--------------------------|-----------------|--------------|---------------|---------------|
| 9th Grade,<br>2003-2004  | 80,482          |              | 6,070         | 74,412        |
| 10th Grade,<br>2004-2005 |                 | 5,383        | 4,551         | 75,244        |
| 11th Grade,<br>2005-2006 |                 | 2,401        | 4,550         | 73,095        |
| 12th Grade,<br>2006-2007 |                 | 697          | 3,353         | 70,439        |
| <b>Total</b>             | <b>80,482</b>   | <b>8,481</b> | <b>18,524</b> | <b>70,439</b> |

| Class of 2006 | Still Enrolled | Dropout      | Graduated     | Total         | Discharged    |
|---------------|----------------|--------------|---------------|---------------|---------------|
|               | <u>17,035</u>  | <u>9,753</u> | <u>43,651</u> | <u>70,439</u> | <u>18,524</u> |

**Graduation Rate:**      **43,651 / 70,439 = 62.0%**  
**Dropout Rate:**         **9,753 / 70,439 = 13.8%**  
**Still Enrolled Rate:**   **17,035 / 70,439 = 24.2%**

**APPENDIX B**

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22 June 2009

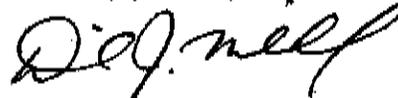
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New York, NY 10007

Ms. Jennifer Bell-Ellwanger:

At your request, I have reviewed the draft audit report issued on June 8, 2009 by the City of New York Office of the Comptroller titled "Audit Report on the Department of Education's Calculation of Audit Rates". Ernst & Young stands behind the agreed-upon procedures performed and the conclusions expressed in our report dated July 11, 2008 that the Department accurately calculated the graduation rate for the 2007 general education cohort. Nothing in the Comptroller's draft report calls into question any of the agreed upon procedures Ernst & Young performed to validate the Department of Education's calculation of the graduation rate for the 2007 general education cohort. Nor does it call into question any of the conclusions expressed in our report, including but not limited to our overall conclusion that the graduation rate calculation was accurate.

Should you have any questions, please do not hesitate to contact me at (732) 516-4225.

Very truly yours,



David J. Milkosky  
Coordinating Partner

DJM/si

APPENDIX C



**Department of  
Education**

Joel I. Klein  
Chancellor

**Student Enrollment**

Elizabeth A. Sciabarra  
Chief Executive Officer

52 Chambers Street  
Room 415  
New York, NY 10007

212 374 2383 tel  
212 374 5568 fax

June 18, 2009

Jennifer Bell-Ellwanger  
Senior Advisor to the Chancellor  
Office of Research and Policy Support

Dear Ms. Bell-Ellwanger:

As someone who has been in the system for many years as a teacher, principal, deputy superintendent and superintendent, I witnessed and participated in many discussions around the merits of both semi annual and annual course credit models. Prior to 2002, as it is currently, the annualization of course credits has been a school based decision.

Sincerely,

A handwritten signature in cursive script that reads "E. Sciabarra".

Elizabeth A. Sciabarra  
Chief Executive Officer  
Student Enrollment