



Highlights of [GAO-03-377](#), a report to Congressional Requesters

## Why GAO Did This Study

New resources for education come at a time when states are struggling to address budget shortfalls. Two provisions in Title I—maintenance of effort (MOE) and supplement not supplant (SNS)—are designed to limit the extent to which federal funds could be used to replace state and local resources. To assess the quality of oversight of these provisions, GAO determined (1) how 6 states—Arizona, California, Florida, Indiana, Louisiana, and Massachusetts—conducted oversight of the MOE and SNS provisions and what factors affected their ability to do so; (2) what efforts were made by the U.S. Department of Education to enforce MOE and SNS; and (3) in the 6 states, what changes have occurred in the federal share of education funding from school year 1999-2000 to 2000-2001.

## What GAO Recommends

To more effectively focus audit resources, Congress should consider eliminating the SNS requirement for schoolwide programs—where it is unworkable—and increase the MOE requirement. In addition, GAO recommends that the Secretary of Education enhance technical assistance and training efforts to ensure better oversight of Title I's fiscal requirements and more effective use of the single audit process.

[www.gao.gov/cgi-bin/getrpt?GAO-03-377](http://www.gao.gov/cgi-bin/getrpt?GAO-03-377).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Marnie Shaul on (202) 512-7215 or Paul Posner on (202) 512-9573.

# DISADVANTAGED STUDENTS

## Fiscal Oversight of Title I Could Be Improved

### What GAO Found

In the states we visited, state program officials used three tools—the states' annual financial reports, the single audit process, and limited program monitoring—to oversee Title I's fiscal accountability requirements. While program officials had little difficulty in applying the MOE provision because it involves a straightforward calculation, state and local program officials and auditors we spoke with cited a number of factors that made it difficult to enforce the SNS provision under certain circumstances. One of the challenges auditors faced was determining whether a school district would have removed its own funds from a program and allocated them elsewhere even if federal funds had not been available—an action that is allowable. Another challenge was applying the SNS provision in circumstances where it is difficult to track federal dollars such as in schoolwide programs—where all funds are pooled—or in districts undergoing significant districtwide reforms—where comparisons to previous budgets are problematic. While some auditors struggled to apply the SNS provision to the particular circumstance of districts and schools, program officials relied primarily on the results of the single audits without being aware of some of these audit's limitations. For example, some officials did not understand that not all districts, programs, or transactions may be covered by the audit. While program monitoring adds a degree of depth to the efforts to oversee the SNS provision, most of the states in GAO's review conducted only limited program monitoring.

We identified three key efforts Education made to guide, monitor, and enforce the fiscal accountability provisions, but each had limitations. First, Education provided guidance and technical assistance to state and local education agencies and auditors on how to interpret and apply Title I's fiscal accountability requirements. Despite the availability of this guidance, many of the auditors and program officials we spoke with expressed confusion regarding the application of these provisions to their particular circumstances, such as schoolwide programs. Second, Education conducted program monitoring of select state and local education programs each year; however, coverage was limited. Third, Education reviewed the audit reports conducted under the Single Audit Act. However, Education's Office of Inspector General and GAO have criticized the review and audit follow up process.

Few changes occurred in the federal/state/local fiscal partnership in financing education services between school year 1999-2000 and 2000-2001. It is too soon to tell how recent increases in federal funds and state and local fiscal pressures will affect funding for education and the federal share.