



Audit  
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January 11, 2005

Control Number ED-OIG/A05-E0027

Dr. Susan Tave Zelman  
Superintendent of Public Instruction  
Ohio Department of Education  
25 S. Front Street  
Columbus, Ohio 43215-4183

Dear Dr. Zelman:

This Final Audit Report presents the results of our audit of the Ohio Department of Education (ODE) and selected local educational agencies (LEA). The objective of our audit was to determine whether ODE and selected LEAs complied with the maintenance of effort and supplement not supplant requirements of the Elementary and Secondary Education Act of 1965 (ESEA), Title I, Part A (Title 1) program, as amended by the No Child Left Behind Act of 2001, for the period July 1, 2003, through June 30, 2004 (2003-2004 school year). Because there were no findings that require resolution, you are not required to respond to this audit report.

## AUDIT RESULTS

ODE and the six selected LEAs complied with the law and applicable regulations governing maintenance of effort for the 2003-2004 school year. Using report expenditure data received from the LEAs, ODE correctly and accurately calculated maintenance of effort for the LEAs. In addition, the LEAs provided ODE with accurate data.

ODE and the six selected LEAs generally complied with the federal regulations governing supplement not supplant for the 2003-2004 school year. To make this determination, we (1) compared changes in Title I expenditures to changes in general fund expenditures and (2) reviewed all Title I expenditures for administrative personnel at the six LEAs. We also reviewed expenditures for all teaching personnel at targeted assistance schools in 5 of 6 LEAs. The sixth LEA had all schoolwide schools. We did not review all Title I expenditures for administrative personnel at ODE because it used an administrative pool for administrative expenditures. Instead, we ensured ODE's administrative pool met the requirements of § 9201 of the No Child Left Behind Act.

## BACKGROUND

ODE is a department within the State of Ohio and consists of a State Board of Education that appoints the Superintendent of Public Instruction. The Superintendent of Public Instruction is responsible for 590 LEAs. The ODE's vision is to be recognized as one of the best state education agencies (SEA) in the nation by the year 2005.

The Title I program is authorized under the ESEA, as amended by the No Child Left Behind Act of 2001, Public Law 107-110. According to § 1120A of the ESEA, an LEA may receive Title I funds only if the SEA determines that the LEA has maintained the fiscal effort required by the ESEA. The SEA must determine that either the combined fiscal effort per student or the aggregate expenditure of the LEA from state and local funds for free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort or aggregate expenditure for the second preceding fiscal year. If the LEA fails to meet the 90 percent mark for any fiscal year, the SEA must reduce the amount of funds allocated under a Title I program in the exact proportion to which the LEA failed to meet the 90 percent requirement.

According to § 1120A(b)(1) of the ESEA, SEAs and LEAs must use federal funds received under Title I only to supplement the amount of funds available from non-federal sources for the education of students participating in Title I. The SEA and LEA cannot use these federal funds to supplant funds that, in the absence of Title I funds, would have been spent on Title I students. The supplement not supplant requirement as it applies to a school operating a school-wide program requires the school to use Title I funds and other federal education program funds included in the school-wide program only to supplement the total amount of funds that, in the absence of the federal funds, would be made available from non-federal sources for the school, including funds needed to provide services that are required by law for children with disabilities and children with limited-English proficiency.

For the 2003-2004 school year, ODE was authorized \$395,560,975 in Title I funds. Of this amount, it allocated \$372,093,263 to 590 LEAs. The six LEAs that we audited received \$26,358,391 in Title I funds. (See **Table 1**.)

**Table 1**

Name	Allocation
Cincinnati City School District	\$23,279,650
Xenia Community City School District	1,116,021
Switzerland of Ohio Local School District	889,439
Logan Hocking Local School District	828,187
Pike-Delta-York Local School District	186,834
Strasburg-Franklin Local School District	58,260
<b>Total</b>	<b>\$26,358,391</b>

## OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether ODE and selected LEAs complied with maintenance of effort and supplement not supplant requirements of the ESEA, as amended by the No Child Left Behind Act of 2001, Title I, Part A program for the period July 1, 2003, through June 30, 2004.

To achieve our audit objective, we

1. selected a stratified random sample of 6 LEAs from a universe of 590 Ohio LEAs;<sup>1</sup>
2. gained a limited understanding of ODE's and selected LEAs' internal control structure, policies, procedures, and practices applicable to maintenance of effort and supplement not supplant for the Title I program by (1) reviewing the latest A-133 audit report and related work papers; (2) interviewing ODE and LEA officials; and (3) interviewing Auditor of State of Ohio officials, auditors, and a Certified Public Accountant;
3. obtained ODE's maintenance of effort calculations for fiscal year 2002, 2003, and 2004 and tested the calculations to ensure ODE used accurate data and the calculations were calculated correctly;
4. reviewed the selected LEAs' accounting records to ensure the 2001, 2002, and 2003 maintenance of effort data reported to ODE were correct and reported accurately; and
5. determined if ODE and the LEAs met the supplement not supplant requirements for the Title I program by comparing Title I positions (teaching and/or administrative) for the 2002, 2003, and 2004 school years and comparing the percentage of change in expenses each year for the Title I and general funds.

We also relied, in part, on computer-processed data from ODE's Education Management Information System (EMIS). In addition, we relied on the LEAs' general fund and Title I fund expenditure data. The LEAs reported the annual expenditure data through intermediary sites to ODE's EMIS. ODE used the data to calculate the LEAs' maintenance of effort calculations. To determine whether the computer-processed data were reliable, we first gained a limited understanding of ODE's and the LEAs' related computer system controls; reviewed the maintenance of effort calculations for fiscal years 2002, 2003, and 2004; and identified the accounts in the EMIS database that ODE used to make the calculations. We selected a sample of data from ODE and each LEA and applied logic tests. We tested for (1) missing data, (2) the relationship of one data element to another, (3) values outside of a designated range, and (4) dates outside valid time frames or in an illogical progression. Based on our limited understanding of system

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<sup>1</sup> To select our sample, we (1) stratified the universe into three strata (large, medium, and small) based on the amount of Title I funds received, (2) generated random numbers for each stratum, and (3) selected the LEAs associated with the first two random numbers generated for each stratum.

controls and our logic tests, we concluded that the computer-processed data that ODE and the six LEAs provided were sufficiently reliable for the purpose of our audit.

We conducted our audit work from August 23, 2004, through December 3, 2004. As part of our audit, we visited ODE's offices in Columbus, Ohio and all six LEAs - Switzerland of Ohio Local School District, Logan-Hocking Local School District, Cincinnati City School District, Xenia Community City School District, Pike-Delta-York Local School District, and Strasburg-Franklin Local School District. We held an exit conference with ODE officials on December 2, 2004.

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

### STATEMENT ON INTERNAL CONTROLS

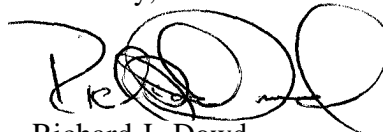
As part of our audit, we did not assess the adequacy of the internal control structure of ODE and the six selected LEAs because such assessments were not necessary to achieve our audit objective. Instead, we obtained an understanding of the processes ODE and the LEAs used to comply with maintenance of effort and supplement not supplant requirements and determined whether the processes were in compliance with the applicable law and regulations. Our work did not disclose any control weaknesses that would increase the likelihood of instances of non-compliance with applicable law and regulations.

### ADMINISTRATIVE MATTERS

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

We appreciate the cooperation and assistance extended by your staff during the audit. If you have any questions, please contact me at 312-886-6503.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard J. Dowd', with a large, stylized flourish extending from the end of the signature.

Richard J. Dowd  
Regional Inspector General  
for Audit