



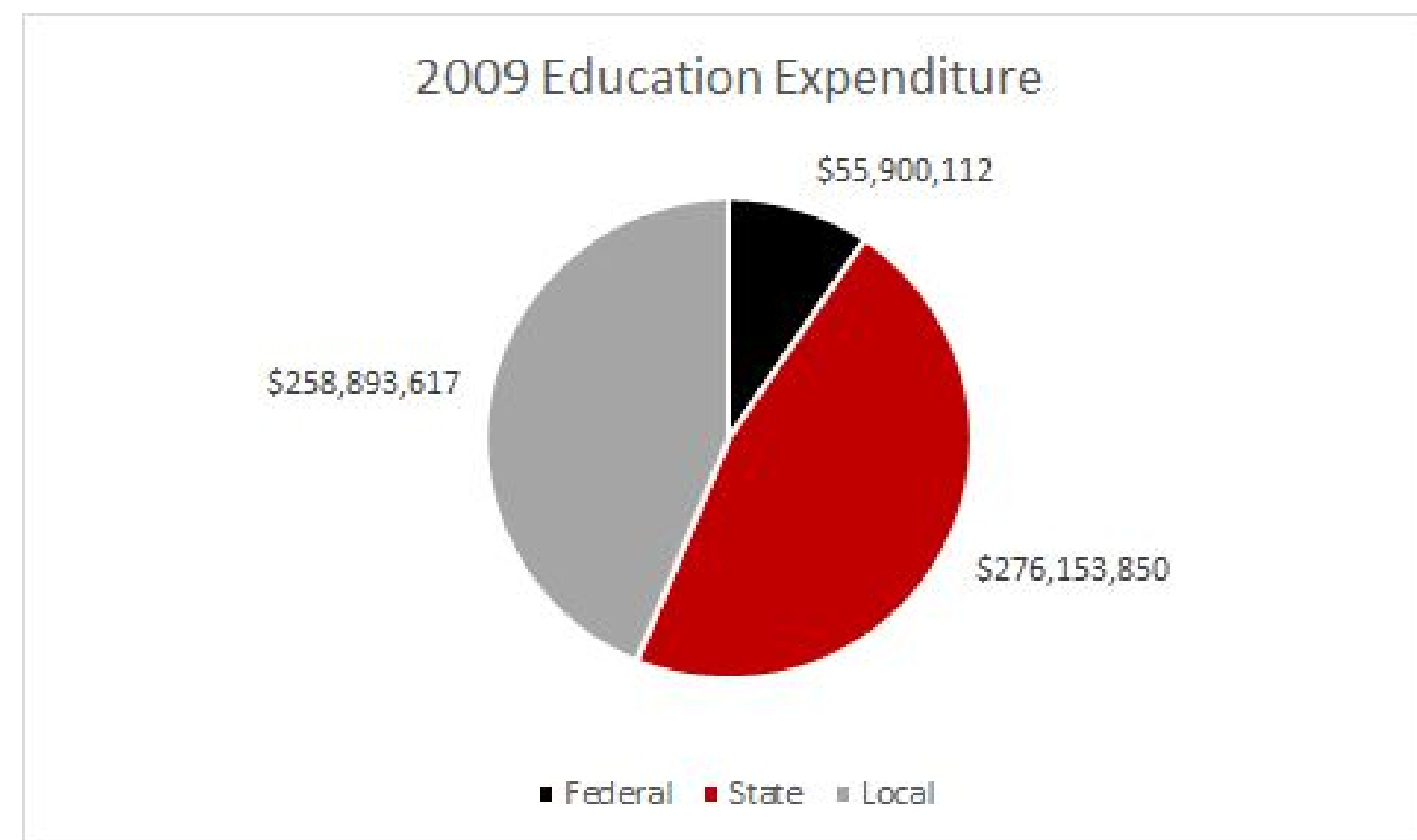
Impact of Audit Results on Federal Funding Decisions

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Introduction & Background

Federal Role in Education Funding

Education funding largely comes from States and local communities, as well as private and public organizations. The federal contribution is comparatively small, about 9% of total funding. Due to the smaller amount of contribution, the Department of Education stated they wish to “get a big bang for its taxpayer-provided bucks by targeting its funds where they can do the most good” (ED, 2016).



Using the Federal Funds Audit data, socioeconomic data, and education outcomes, an analysis was created to see the impact that the variables have on funding decisions.

We focused on the following questions for our analysis:

- 1. Does the ED spending improve the results of the education systems?
- 2. Is federal spending on education wasteful?

Analysis

The regression results to the right are educational funding (by state and by year) regressed on summed dummy variables of R&D programs and programs with negative audit reports, while controlling for population. R&D is not a negative flag, but controls for expensive programs. The independent variables are discrete counts of how many programs in a state and year were flagged with given indicators. The BOOL variable is a discrete count of how many programs were flagged with any of the other negative reports.

BOOL = 1 if: (MatNonCompliance == 1) || (QCosts == 1) || (MatWeakness == 1)
else: BOOL = 0

The right-hand side regresses the next year's total educational funding on the current year counting variables (while controlling for next year's population). The number of observations was cut by 50, as we had to exclude independent variable data from 2010, and state funding data from 2005.

We can see that though statistical significance decreases for variables MtlWeakness, MaterialNonCompliance, and Qcosts; R&D and the BOOL counter are still significantly positively correlated predictors of next year's funding, and all coefficients stay in similar ranges.

Analysis

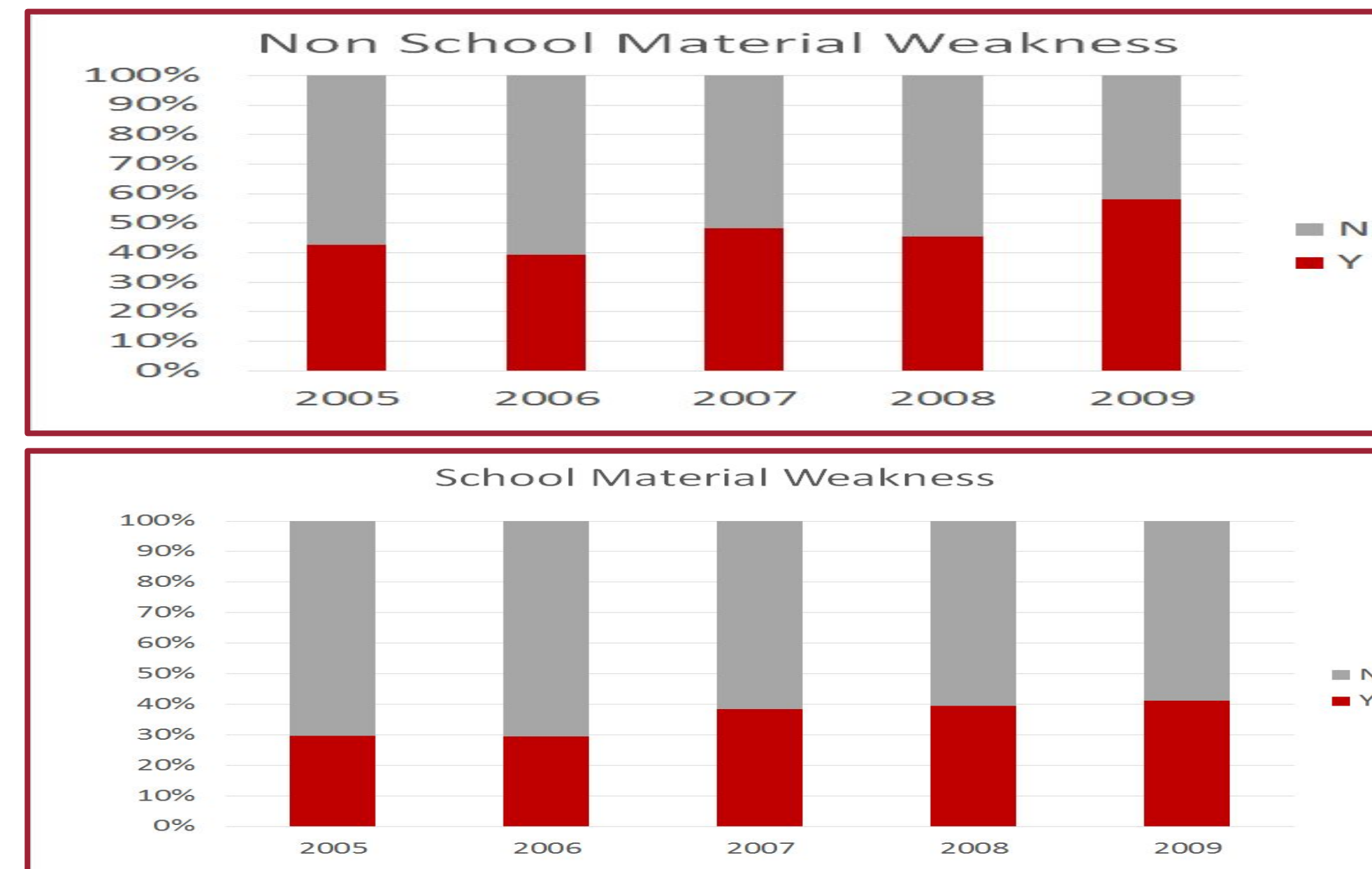
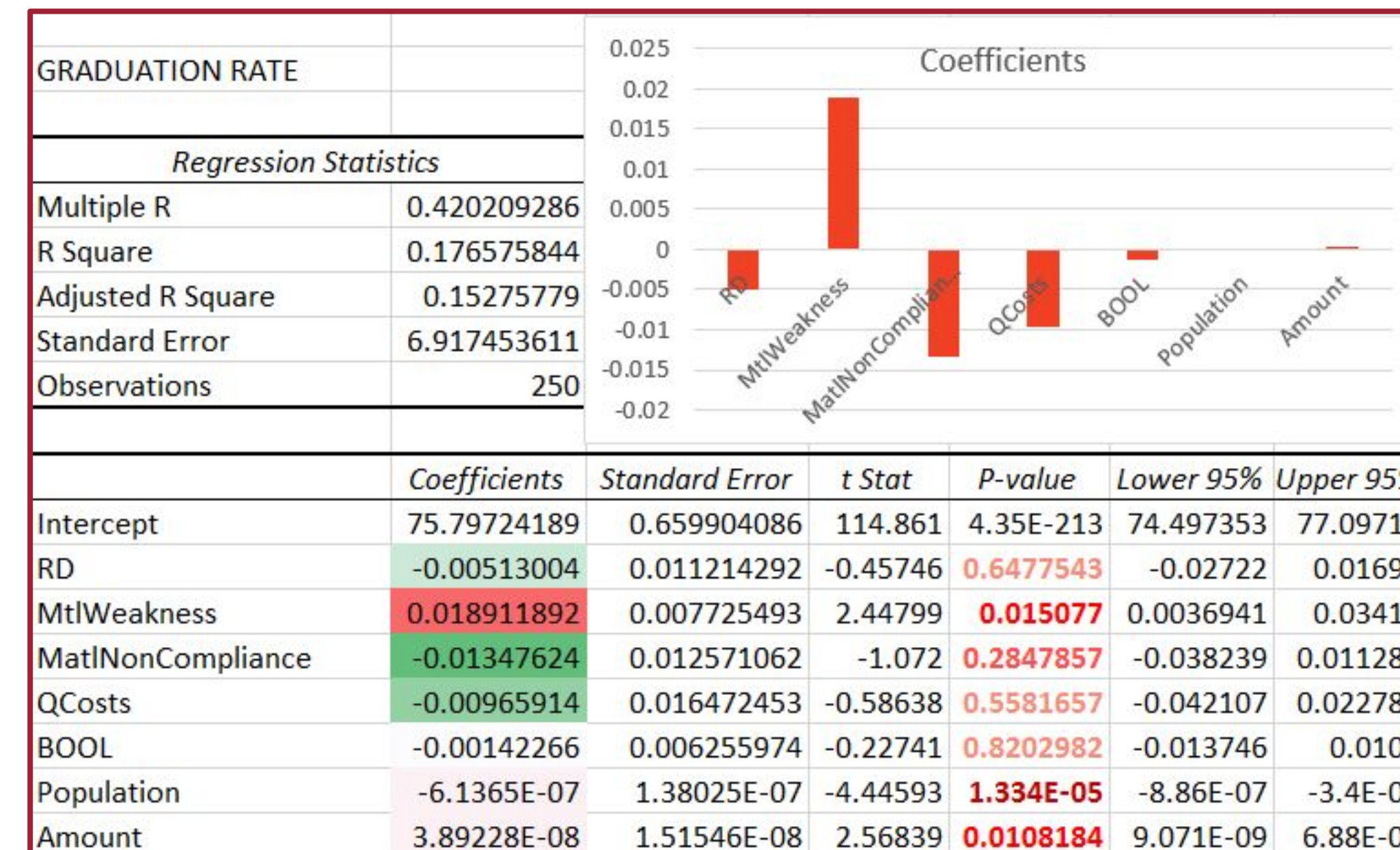
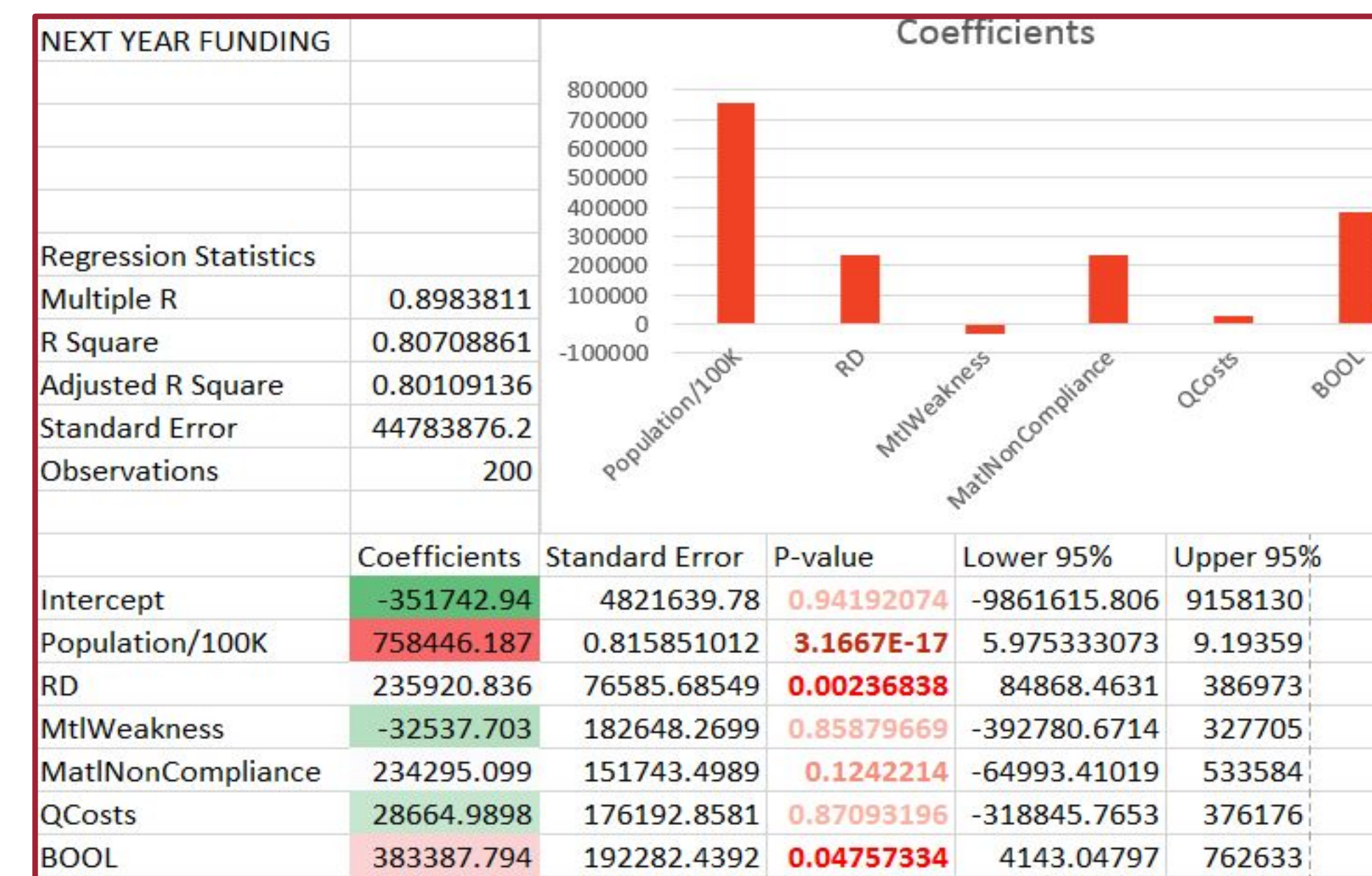
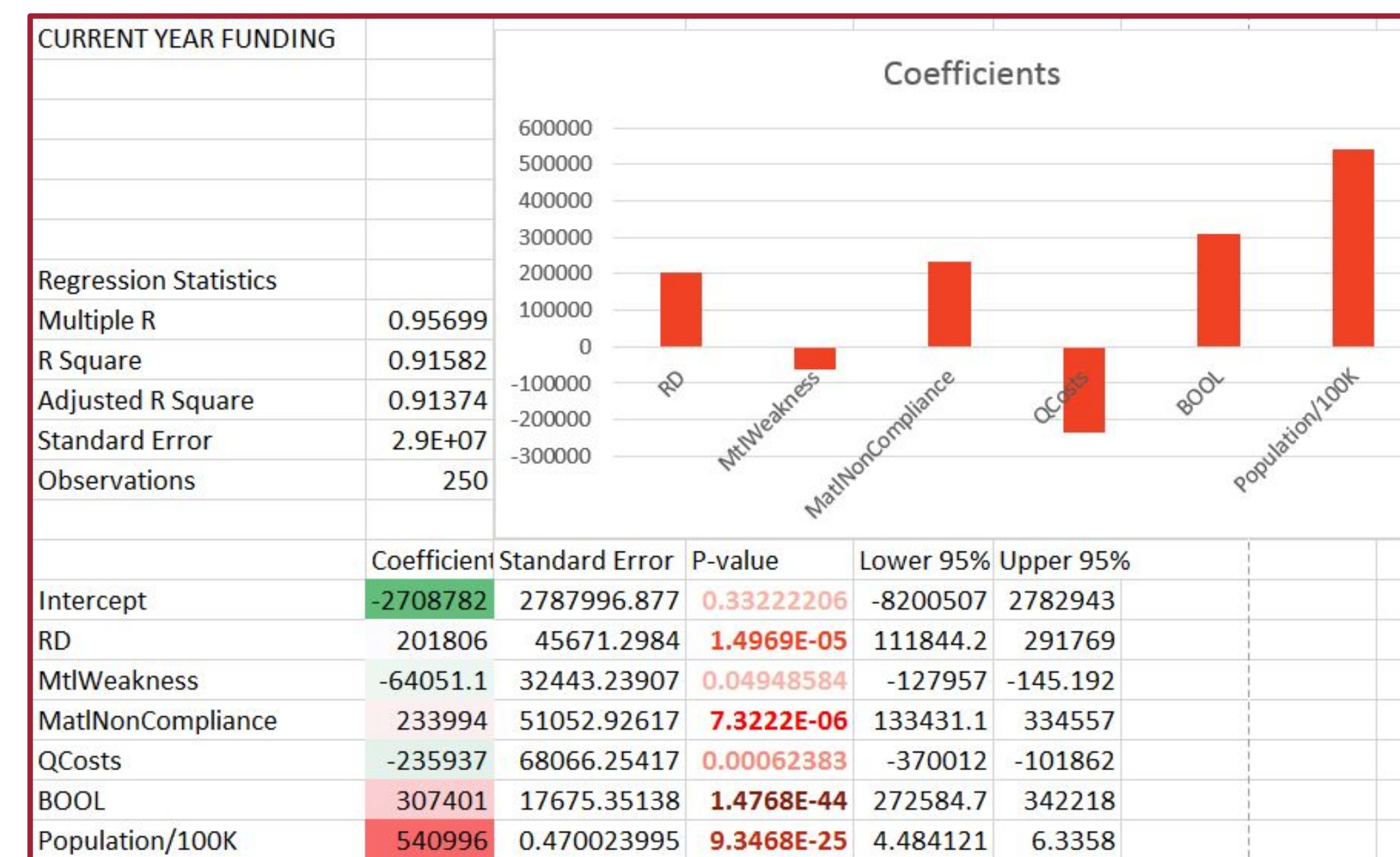
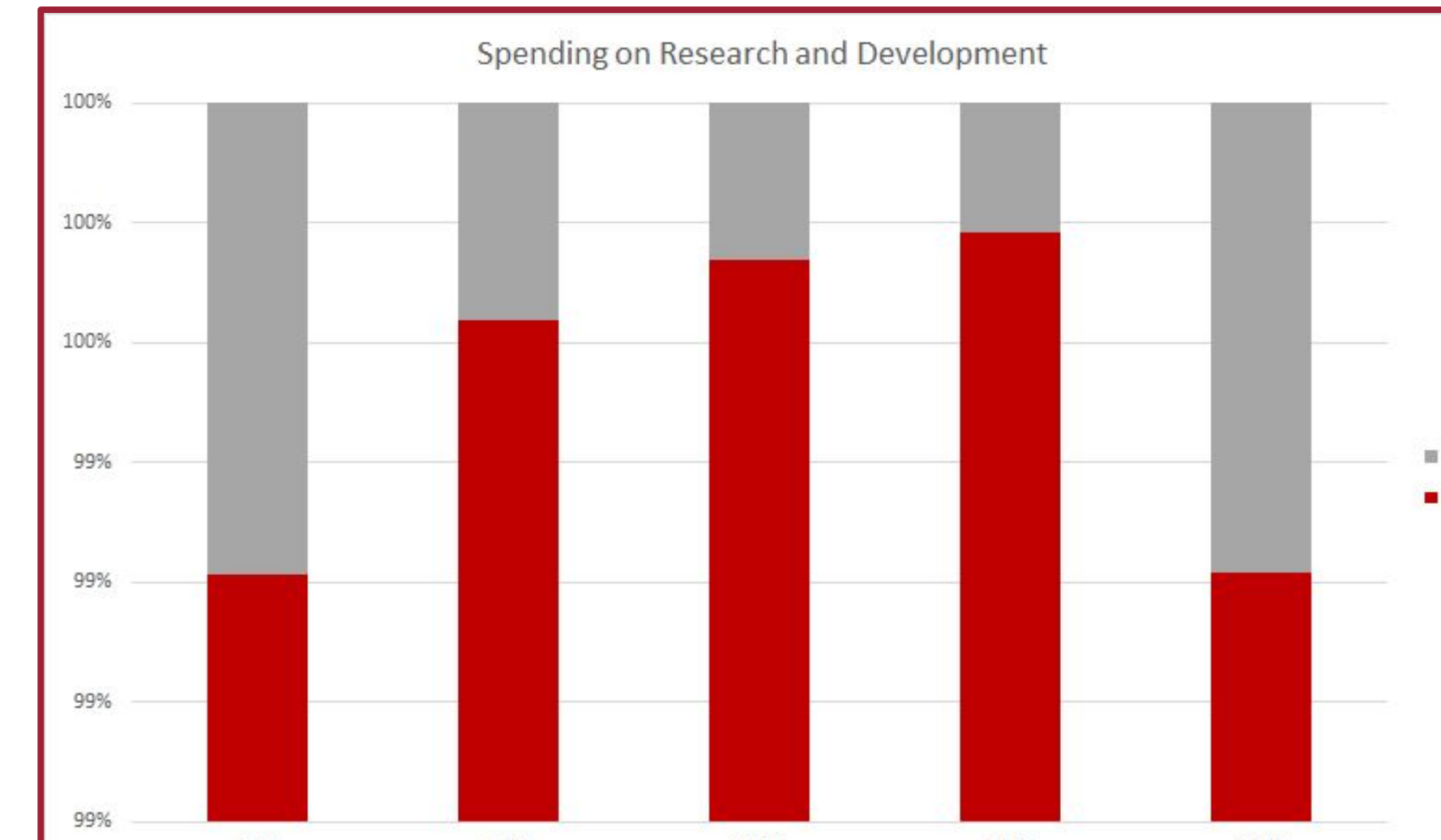
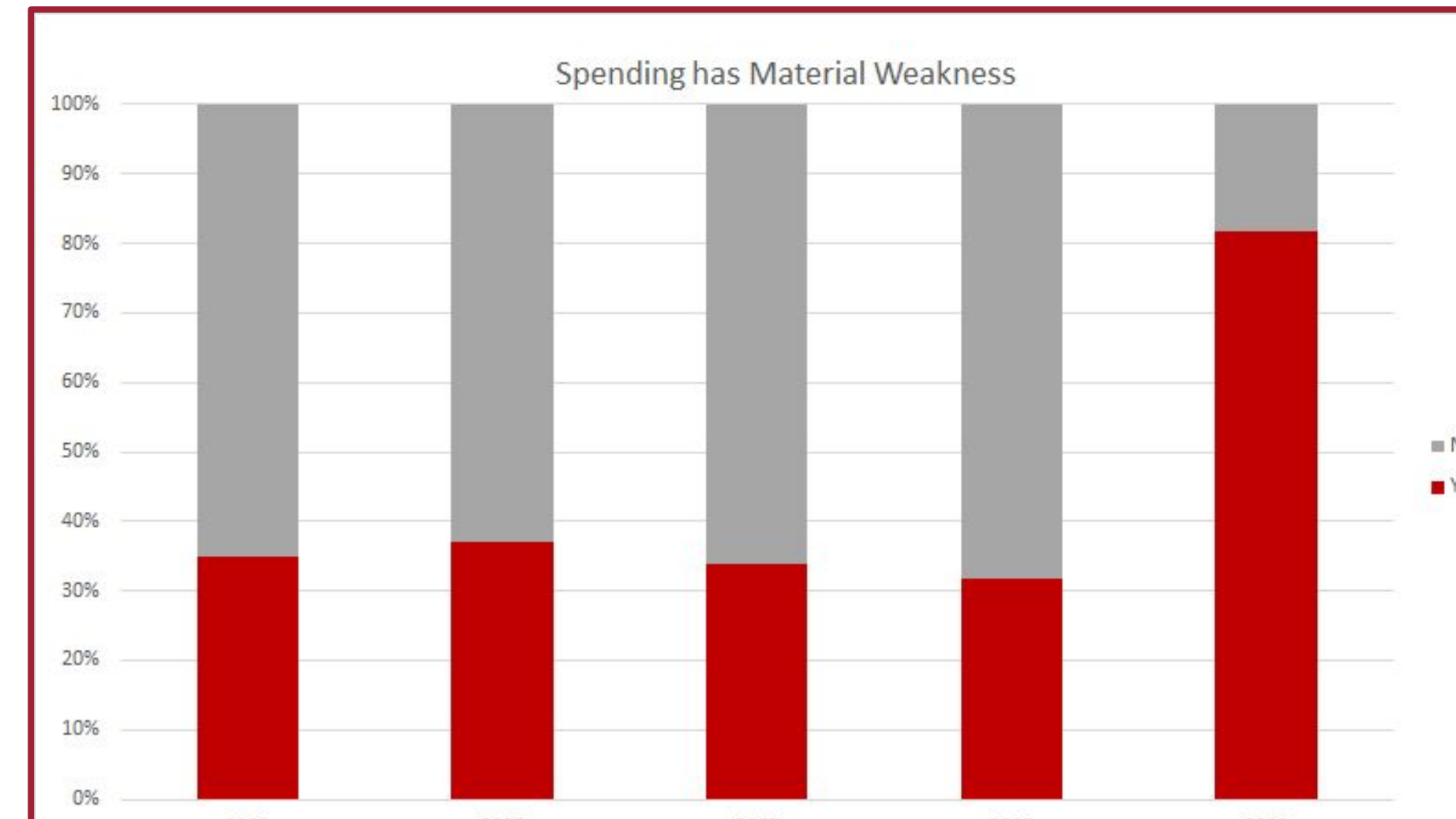
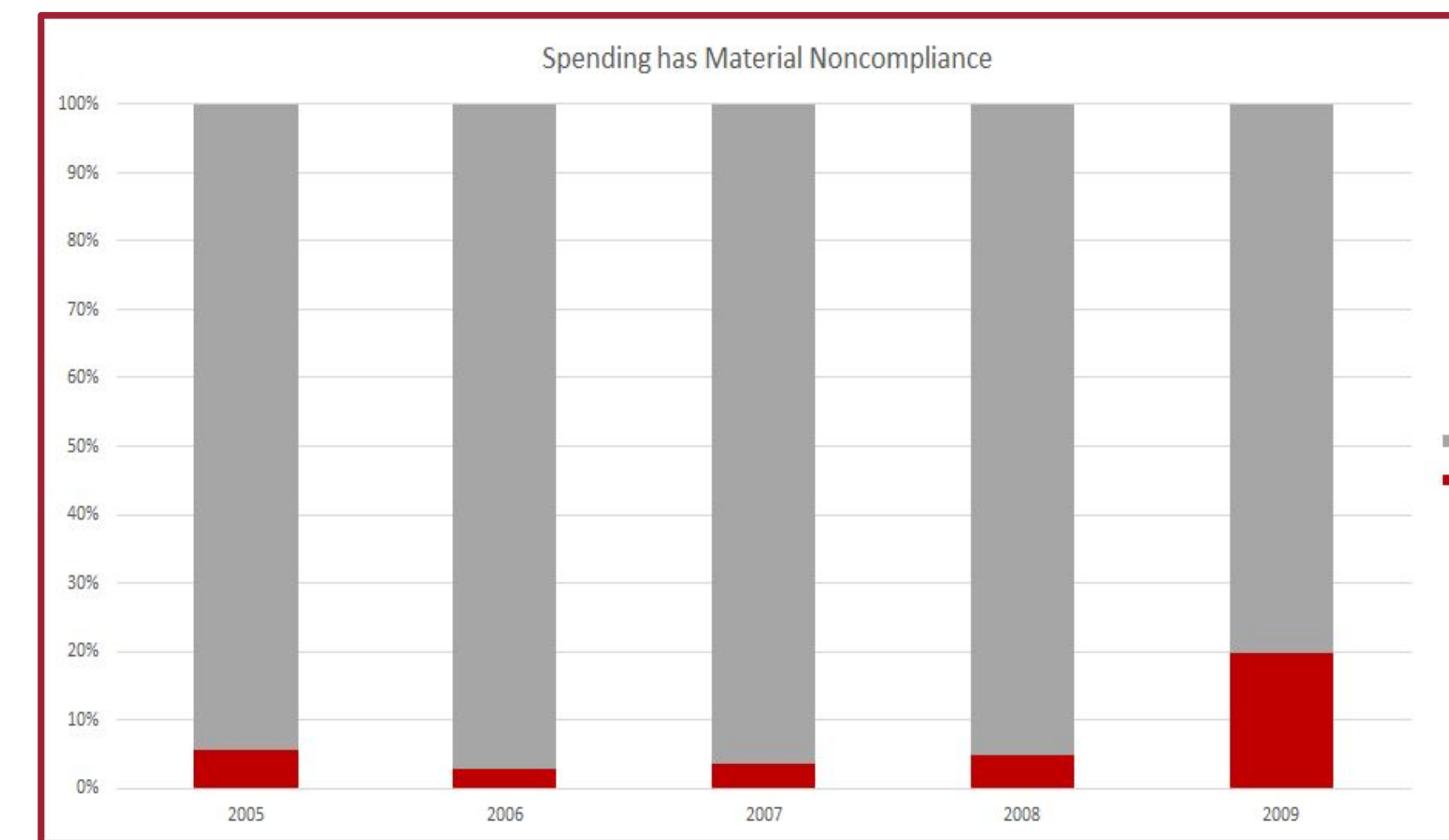
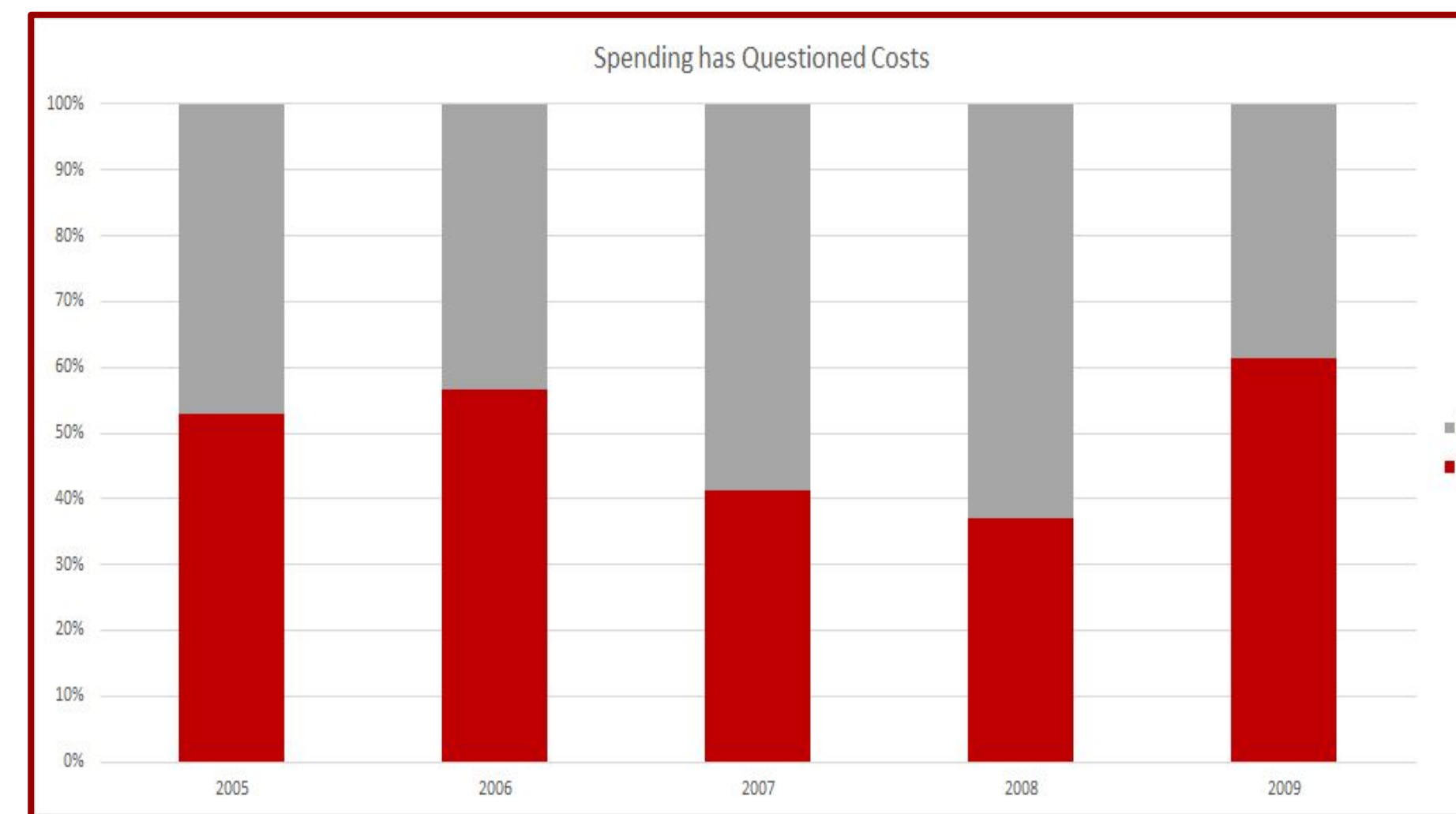
What Proportion of Education Spending is Wasteful?

Indicated by three “waste factors”:

Material Weakness: High risk of fraud/negligence

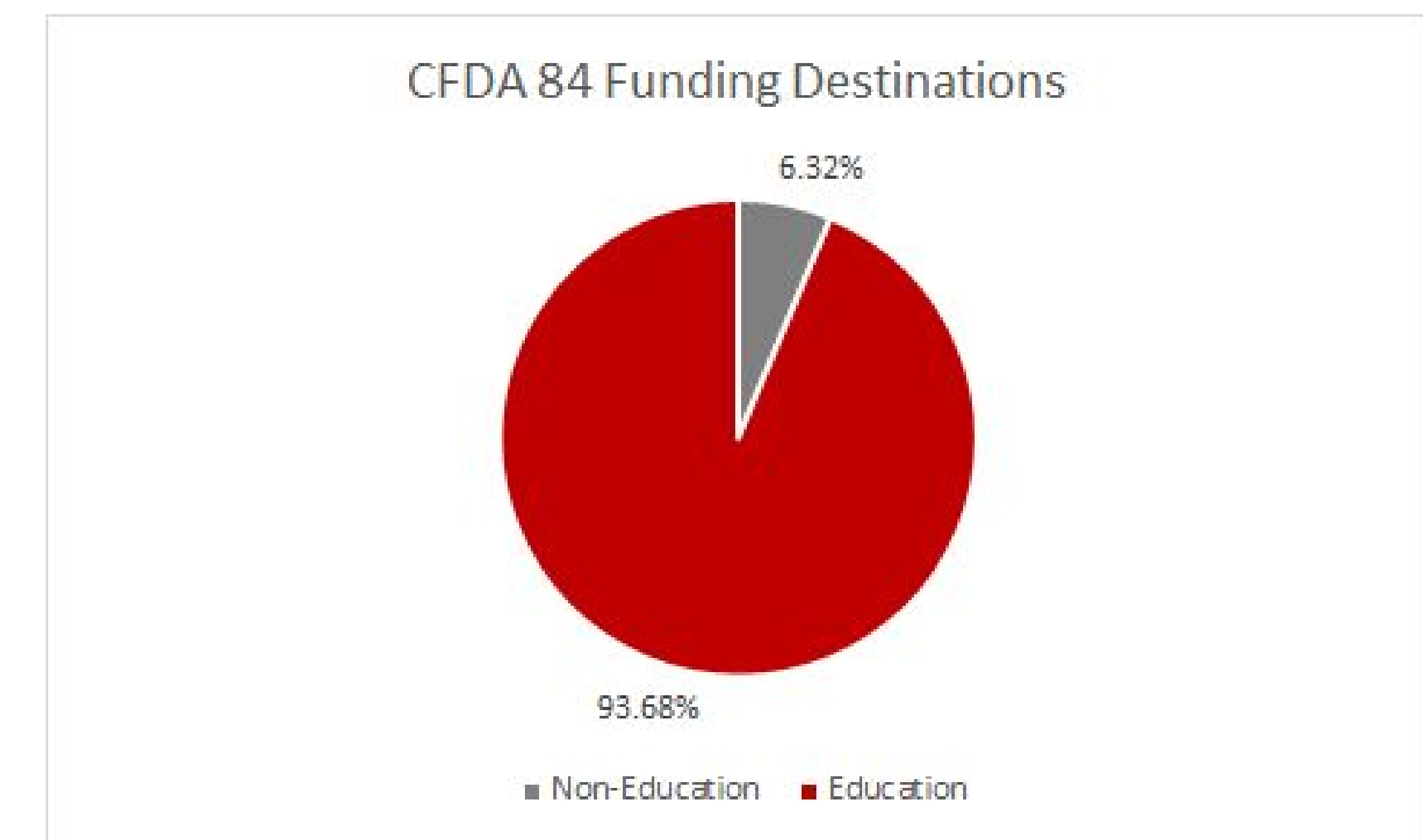
Material Noncompliance: Spending violating the terms of the grant

Questioned Costs: Spending violates law, costs inadequately documented or costs are unreasonable



Conclusion

In order to justify federal spending, there must be a positive ROI. There was little correlation between level of funding and audit results to the education success measure of graduation rate. Negative audit results also did not have as significant of an impact on amount of funding or graduation rate. The level of federal funding is much smaller than from states and local communities. Although the funding is directed towards primary and secondary education, it is difficult to determine how effective the funding is when it is such a small percentage of total funding.



Questionable Spending

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				
CFDA Number	Research and development	Name of Federal program	Amount expended	
Federal Agency Prefix ¹	Extension ²	(c)	(d)	(e)
(a)	(b)			
8	4	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	IMPACT AID	\$ 338,221.00
1	2	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	DOD SUPPLEMENTAL	\$ 100,384.00

- Missile Defense
 - Texas, US ARMY Missile Defense Command
 - New Mexico, Missile Defense Agency
 - Fort Greely, Alaska
- \$7.3 million spent in the year 2005 in Alaska

References

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U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "School District Finance Survey (F-33)," fiscal year 2008, Provisional Version 1c and fiscal year 2011, Final Version