

GAO

Report to the Ranking Minority
Member, Committee on Governmental
Affairs, U.S. Senate

June 2001

DEPARTMENT OF EDUCATION

Status of Achieving Key Outcomes and Addressing Major Management Challenges



G A O

Accountability * Integrity * Reliability

Contents

Letter		1
	Results in Brief	2
	Background	4
	Assessment of the Department of Education's Progress in Accomplishing Selected Key Outcomes	6
	Comparison of the Department of Education's Interim Fiscal Year 2000 Performance Report With the Prior Year Report for Selected Key Outcomes	12
	The Department of Education's Efforts to Address the Major Management Challenges Identified by GAO	13
	Conclusions	14
	Recommendations for Executive Action	15
	Scope and Methodology	15
	Agency Comments	16
Appendix I	Observations on the Department of Education's Efforts to Address Its Major Management Challenges	17
Appendix II	Comments From the Department of Education	21
Table		
	Table 1: Major Management Challenges.	17

Abbreviations

Education	Department of Education
GPEA	Government Paperwork Elimination Act
GPRA	Government Performance and Results Act of 1993
OIG	Office of Inspector General
OMB	Office of Management and Budget
OSFA	Office of Student Financial Assistance



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United States General Accounting Office
Washington, DC 20548

June 29, 2001

The Honorable Fred Thompson
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

Dear Senator Thompson:

As you requested we reviewed the Department of Education's (Education) fiscal year 2000 performance report required by the Government Performance and Results Act of 1993 (GPRA).¹ In April 2001, Education issued an "interim" fiscal year 2000 performance report that included some preliminary fiscal year 2002 performance plan program data but did not include any information on strategies to meet unmet performance goals. Education termed the performance report "interim" because it did not issue an accompanying department-wide fiscal year 2002 performance plan. According to Education officials, the data in the interim report includes the department's final data for fiscal year 2000 and, in that respect, the report can be considered final. The interim report stated that Education planned to issue the department-wide performance plan for fiscal year 2002 by September 30, 2001. According to Education officials, the delay is due to a lack of senior leadership at the department² and Education's desire to integrate key strategies from the President's education proposal³ and from a team of Education senior staff who have been tasked with fixing the department's management problems.

As agreed with your office, we reviewed the interim fiscal year 2000 performance report to assess Education's progress in achieving selected key outcomes that you identified as important mission areas for the department. These are generally the same outcomes we addressed in our June 2000 review of the agencies' fiscal year 1999 performance reports and

¹ Our report is one of a series on the 24 Chief Financial Officers Act agencies' fiscal year 2000 performance reports and fiscal year 2002 performance plans.

² As of June 2001, only 2 political leadership appointees out of a total 16 had been nominated and confirmed by the Senate for the Department of Education.

³ As of June 2001, the bill H.R.1, entitled: *To close the achievement gap with accountability, flexibility, and choice, so that no child is left behind*, had passed both the House of Representatives and the Senate.

fiscal year 2001 performance plans⁴ to provide a baseline by which to measure the agencies' performance from year-to-year. These selected key outcomes are:

- All students reach challenging academic standards that prepare them for responsible citizenship, further learning, and productive employment.
- All children receive a solid foundation for learning.
- Greater public school choice available to students and families.
- Strong, safe, disciplined, and drug-free schools.
- Less fraud, waste, mismanagement, and error in student financial assistance programs.
- All students have access to high-quality postsecondary education and lifelong learning.

As agreed, using the selected key outcomes for the Department of Education as a framework, we (1) assessed the progress Education has made in achieving these outcomes and (2) compared Education's interim fiscal year 2000 performance report with the agency's prior year performance report for these outcomes. Additionally, we agreed to analyze how Education has addressed its major management challenges, including the governmentwide high-risk areas of strategic human capital management and information security that we and Education's Office of the Inspector General identified. Appendix I provides detailed information on how Education addressed these challenges. (App. II contains Education's comments on a draft of our report).

Results in Brief

It was difficult to fully assess Education's progress in achieving the six outcomes due to the limited scope of the interim report—no fiscal year 2000 data for many indicators, no discussion of why goals were not met, and no strategies on how the department would reach its goals. Also, the absence of a fiscal year 2002 performance plan made assessing Education's progress difficult. None of the outcomes included goals or measures associated with human capital management.

Planned outcome: All students reach challenging academic standards that prepare them for responsible citizenship, further learning, and productive employment. Education reported that it made little progress in achieving

⁴ *Observations on the Department of Education's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan*, ([GAO/HEHS-00-128R](#), June 30, 2000).

this outcome. The interim report contained seven objectives and 35 indicators for this outcome; however, fiscal year 2000 data were only available for nine indicators. In analyzing these nine indicators, we found that Education had made little progress toward achieving the outcome. Specifically, Education reported that it had not met two goals related to challenging content and student performance standards—goals that are directly related to the achievement of the outcome. Of the remaining seven indicators, goals were met for three. These three are linked to the outcome, but they provide only limited information with which to judge progress. Additionally, for the six indicators with unmet goals, there was minimal discussion of why the goals were not met.

Planned outcome: All children receive a solid foundation for learning. The interim report indicated that little progress was demonstrated for this outcome. As with other outcomes, data needed to evaluate progress is not collected annually, making an annual assessment of progress difficult. In addition, we found that those few indicators with data—only two—did not provide much information on Education’s progress in meeting this outcome.

Planned outcome: Greater public school choice available to students and families. The interim report indicated that progress was made in addressing this outcome. For example, Education reported that it is on track to meet its goal that by 2002 there will be 3,000 charter schools in operation around the nation. Of the remaining two indicators that specifically address this outcome, one goal was not met and data were unavailable for the other.

Planned outcome: Strong, safe, disciplined, and drug-free schools. Education reports that it expects to make progress in meeting this outcome based on national trend data. However, consistent with our findings from last year’s performance report, we continue to have concerns about the narrow scope of the proxies Education uses to measure the indicators for this outcome. Education continues to use marijuana use as a proxy to measure all drug use and physical fights as a proxy for all violent behavior.

Planned outcome: Less fraud, waste, mismanagement, and error in student financial assistance programs. Education did not establish a fiscal year 2000 performance goal or objective to address this outcome. However, in analyzing a section of the interim report designed to address management challenges facing Education, we found that Education had at least partially addressed this outcome. For example, Education stated that it is making

progress towards ensuring financial integrity—a necessary part of achieving this outcome. According to Education officials, future performance plans may include goals and measures to specifically address this outcome. Additionally, Education has revised its strategic plan to include an objective of ensuring financial integrity within the department.

Planned outcome: All students have access to high-quality postsecondary education and lifelong learning. Education reported that it continued to make progress towards achieving this outcome. Education used a combination of postsecondary enrollment rates, amount of unmet financial need, customer satisfaction, and rates of employment to measure its progress. We found, however, that Education’s progress in meeting this outcome is mixed.

In comparing last year’s fiscal year 1999 performance report to the interim fiscal year 2000 report, we found that the interim report was less helpful in providing an overall view of Education’s progress because it did not include discussions of why goals were not met and there was no fiscal year 2002 performance plan to provide information on strategies for meeting its goals. The interim report did contain, however, a new section for addressing management challenges identified by GAO, Education’s Office of Inspector General (OIG), and others. In this section, Education reported on over half of the 14 major management challenges we and the OIG identified. The section included a discussion of the challenge, and in some cases, strategies for addressing the challenge along with some related performance goals.

In this report, we make recommendations that Education take steps to initiate discussions with appropriate congressional committees regarding the lack of annual performance data. Additionally, we recommend that Education develop specific goals and measures to address the high-risk areas of student financial assistance programs and strategic human capital management. In written comments on our draft report, Education generally agreed with our conclusions and recommendations and addressed the lack of information about future strategies and discussed steps it is taking to address its management challenges. Separately, Education also provided oral technical comments, which we incorporated when appropriate. Education’s written comments are printed in appendix II.

Background

GPRA is intended to shift the focus of government decisionmaking, management, and accountability from activities and processes to the

results and outcomes achieved by federal programs. New and valuable information on the plans, goals, and strategies of federal agencies has been provided since federal agencies began implementing GPRA. Under GPRA, annual performance plans are to clearly inform the Congress and the public of (1) the annual performance goals for agencies' major programs and activities, (2) the measures that will be used to gauge performance, (3) the strategies and resources required to achieve the performance goals, and (4) the procedures that will be used to verify and validate performance information. These annual plans, issued soon after transmittal of the President's budget, provide a direct linkage between an agency's longer-term goals and mission contained in its strategic plan and its day-to-day activities.⁵ Annual performance reports are to subsequently report on the degree to which performance goals were met. The issuance of the agencies' performance reports, due by March 31, represents a newer and potentially more substantive phase in the implementation of GPRA—the opportunity to assess federal agencies' actual performance for the prior fiscal year and to consider what steps are needed to improve performance and reduce costs in the future.⁶

Education's mission is to ensure equal access to education and to promote educational excellence throughout the nation. This year's interim performance report listed the following four department-wide strategic goals: (1) help all children reach challenging academic standards so that they are prepared for responsible citizenship, further learning, and productive employment; (2) build a solid foundation for learning for all children; (3) ensure access to postsecondary education and lifelong learning; and (4) make Education a high-performance organization by focusing on results, service quality, and customer satisfaction. For each goal, Education has established various objectives, and for each objective there were indicators with which to measure its progress. Additionally, in the interim fiscal year 2000 program performance report, Education presents program data for about 180 Education programs. This program report includes some information on planned fiscal year 2002 performance (e.g., program-level targeted goals) and a section explaining how Education plans to address some of the management challenges identified by GAO and others. Where applicable, in addition to the information in the

⁵The fiscal year 2002 performance plan will be the fourth of these annual plans under GPRA.

⁶The fiscal year 2000 performance report is the second of these annual reports under GPRA.

interim performance report, we used indicator data from the interim program performance report to help assess Education's progress in achieving the selected outcomes. Additionally, we used the management challenges section to help identify progress and planned activities in this area.

Assessment of the Department of Education's Progress in Accomplishing Selected Key Outcomes

This section discusses our analysis of Education's performance in achieving the six selected key outcomes. We will not be able to discuss strategies that Education has in place to achieve these outcomes because Education has not yet provided this information. Education officials told us that these strategies will be included in the fiscal year 2002 department-wide performance plan scheduled to be issued by September 30, 2001. In discussing the extent to which the agency provided assurance that the performance information it is reporting is credible, we have drawn information from our prior work.

Additionally, due to the nature of the performance information it was difficult to assess Education's progress for some outcomes. To measure success in some areas, Education relied on long-term trend data that is collected only every 2, 3, 4, or 6 years. These gaps in data make a full analysis of Education's progress difficult. In January of this year, we reported that Education needed to improve the quality and timeliness of the data on which its programs are evaluated.⁷ Without taking this step, Education will continue to be challenged in assessing its progress for the selected outcomes on an annual basis.

Challenging Academic Standards That Prepare Students For Responsible Citizenship, Further Learning, And Productive Employment

The interim report showed that Education made little progress in achieving this outcome. Education has seven performance objectives and 35 indicators to measure progress toward achieving this outcome. Of the 35 indicators related to this outcome, fiscal year 2000 data were only available for nine indicators. Due to the lack of fiscal year 2000 data for this outcome, we limited our analysis to these nine indicators and found that Education made little progress toward this outcome.

Specifically, Education reported that it had not met two goals related to challenging content and student performance standards—goals that are

⁷ *Major Management Challenges and Program Risks: Department of Education* (GAO-01-245).

directly related to the achievement of the outcome. As a first step, before all students can reach challenging standards that prepare them for responsible citizenship, further learning, and productive employment, challenging content and student performance standards must be in place. One of the 35 performance indicators, “by the end of the 1997-98 school year, all states will have challenging content and student performance standards in place for two or more core subjects,” focuses on this prerequisite, which had not been achieved by the end of 2000. Twenty-seven states and Puerto Rico had demonstrated to Education that they had completed the development of both content and student performance standards. Education had approved the content standards development process for the District of Columbia, Puerto Rico, and all states, except one. In its assessment of progress for this indicator, Education explains that rather than developing student performance standards as a template for assessments, which were not scheduled to be in place until the 2000-01 school year, many states are developing their assessment instruments first and then constructing performance standards on the basis of pilot tests of their assessments.

In looking at the remaining seven indicators with data, Education reported that the goal was met in three instances and not met in the other four. All three of the indicators with goals met are linked to the outcome, but provide only limited information with which to judge progress. For all six indicators with unmet goals, there was minimal discussion of why the goals were not met.

A Solid Foundation For Learning

The interim report showed that little progress has been demonstrated for this outcome. Education established 18 indicators to address the goal of building a solid foundation for learning for all children. According to the interim performance report, data for fiscal year 2000 were only available for two indicators—for both of which the goals were met. According to Education officials, 2000 data will be provided in the future as data become available from the states. However, these two indicators alone, “number of tutors in the America Reads program” and “that more than 35 percent of Title I⁸ schools adopt a researched-based way to improve curriculum,” do not provide sufficient information with which to gauge progress toward meeting the outcome. As with some of the other

⁸ Title I is the largest federal elementary and secondary education program and is designed to help schools meet the needs of economically and educationally disadvantaged students.

outcomes, data necessary to evaluate progress is not collected annually, making an annual assessment of progress difficult.

Public School Choice

According to the interim report, Education's performance objective to have greater public school choice available to students and families has been at least partially met. The interim fiscal year 2000 performance report indicated that the interim target for one of the three indicators—that by 2002, there will be 3,000 charter schools in operation around the nation—was exceeded. The interim target for fiscal year 2000 relating to this indicator was 2,060 charter schools; 2,110 were actually in operation. However, the report notes that the majority of the charter schools are located in only seven states.

According to the interim performance report, data for fiscal year 2000 are not yet available for one indicator—that by 2003, 25% of all public school students in grades K-12 will attend a school that they or their parents have chosen.

For the third indicator—that by 2000, a minimum of 40 states will have charter school legislation—the goal was not met. From 1991, when Minnesota became the first state to enact charter school legislation, other states joined steadily until 1999, when the list totaled 38 and remained at 38 through 2000. There was no discussion on why the goal was not met, or why only 40 states are included in the goal.

Strong, Safe, Disciplined, And Drug-Free Schools

According to the interim report, there was limited progress in meeting this outcome. Education measures progress for this outcome by looking at the national trends in student drug and alcohol use, including in-school use, and national trends in student victimization and violent incidents in schools. Of the four indicators, Education expects progress in three based on national drug use and violent crime trends, and the goal was partially met for one—reducing the prevalence of past-month use of illicit drugs. Specifically, we have the following comments on these indicators:

- Of the four indicators, two are for measuring violent behavior and two are for drug and alcohol use. For both violent behavior indicators, data is not available for fiscal year 2000; however, Education has concluded that progress is likely. In making this determination, Education is using national statistics demonstrating that there has been a decrease in the overall juvenile crime and violence rates since the mid-1990s. The data for one indicator—the level of disorder in schools—tracks only physical fights on school property; no reasons were given as to why other disciplinary

problems were not tracked. However, our recent report on discipline showed that fistfights are the most prevalent form of serious misconduct and, therefore, probably the best proxy measure to use when only one behavior is being tracked.⁹ According to Education, data should be available within the next few years to measure actual progress for both indicators for this outcome.

- From the indicators on drug and alcohol use, it appears that progress is mixed. Education did not meet its goal for past-month alcohol and illicit drug use for 2000; however, Education reports that alcohol use levels have remained relatively steady for years and stated that illicit drug use may have leveled off in recent years, according to national trend data. For the second indicator—rates of in-school alcohol and drug use will begin to fall by 2001—Education reports that progress toward this goal is likely. It based its estimation of success on the fact that the goals for both alcohol and drug use for 1999 were exceeded (even beyond the 2000 goal level) and that overall alcohol and drug use rates have remained steady for years. However, as we noted in last year’s report, Education is using alcohol and marijuana use by 12th graders as a proxy for all alcohol and drug use, respectively. Education does not provide an explanation as to why only marijuana was used for this indicator. In response to our report last year, Education acknowledged that we were correct in our observation that the indicator is narrow in scope and stated that it intended to address this in its fiscal year 2002 plan.

Fraud, Waste, Mismanagement, And Error In Student Financial Assistance Programs

Education did not establish a fiscal year 2000 performance goal or objective to specifically address this outcome. In a section designed to address management challenges facing Education, the interim performance report does report progress towards achieving a related objective: management of department programs and services ensures financial integrity. This is presented as a department-wide objective and does not discuss progress or performance for any specific programs. The discussion of this objective lists several actions Education’s Office of the Chief Financial Officer is taking to accomplish it. These actions include implementing a new general ledger software system; enhancing internal controls, reconciliation, and reporting processes; and improving acquisition systems. According to Education officials, future performance plans may include goals and measures to specifically address this

⁹ *Student Discipline: Individuals With Disabilities Education Act* (GAO-01-210, Jan. 25, 2001).

outcome. Additionally, Education has revised its strategic plan to include an objective of ensuring financial integrity within the department.

Based on the two indicators identified for the financial integrity objective, progress in achieving this objective is mixed. The first indicator, that Education will receive an unqualified opinion on its fiscal year 2000 financial statement audit, was unmet. However, because the auditors identified fewer material weaknesses and reportable conditions related to Education's internal control systems than they found in last year's audit, Education states that it is making progress. For the second indicator, Education reported that it achieved its target for increasing the use of performance contracts.

In the management challenges section of the interim report, Education established a target to remove the student financial assistance programs from GAO's high-risk list. Education lists several actions, such as developing a corrective action plan, to address program weaknesses. There were, however, no specific goals or measures for this challenge. As we reported to you last year in our assessment of Education's fiscal year 2001 performance plan, we continue to believe the department should have a goal or objective to specifically address this outcome. The student aid programs remain on GAO's high risk-list, and we recently testified on serious internal control weaknesses we identified in a review of the department's payment practices.¹⁰ For example, we stated Education had poor segregation of duties for making payments because some individuals at the department could control the entire payment process—leaving Education at risk for fraud. Also, we cited the need for Education to have better controls over its process for reviewing and approving purchases made with government purchase cards.

In addition to establishing the target of getting off of GAO's high-risk list, Education created a task force—or Management Improvement Team—to achieve this result. Among other things, the task force is charged with (1) obtaining a clean audit opinion, (2) removing the student financial aid programs from GAO's high-risk list, (3) putting in place an effective system of internal controls to protect against waste, fraud, and abuse, and (4) continuing to modernize student aid delivery and management.

¹⁰ *Financial Management: Internal Control Weaknesses Leave Department of Education Vulnerable to Improper Payments*, GAO-01-585T, April 3, 2001.

Access To A High-Quality Postsecondary Education And Lifelong Learning

The interim report shows that Education's progress in meeting this goal was mixed. One of Education's four strategic goals is to ensure access to postsecondary education and lifelong learning. We examined the four objectives and 16 indicators for this goal to determine progress in meeting this outcome. Education used a combination of enrollment rates, amount of unmet financial need, customer satisfaction, and rates of employment to measure its progress for this goal. Of the 16 indicators, we found that Education had met or exceeded its targets for five. For the remaining 11 indicators, however, there were no fiscal year 2000 data available to measure actual progress. We have the following observations on the indicators:

- Education had two objectives and nine indicators to measure progress in the areas of ensuring access to postsecondary education. Indicators include enrollment rates, rates at which parents and students request/receive information on admission standards and financial aid, and the amount of unmet financial need that exists for students. In general, the indicators present a mixed picture of Education's success in achieving this outcome. Of the nine indicators, the goal was met or exceeded for two; no data were available for the remaining seven indicators. Additionally, in looking specifically at the indicators, we found for one indicator classified as goal met—participants receiving support services—the data were from 1997 and the report did not discuss any planned updates for more current data.
- For Education's objective of delivering student aid in an efficient, financially sound, and customer-responsive manner, there were no unmet indicators. For this objective's three indicators, Education reported that the Office of Student Financial Assistance (OSFA) either met or exceeded its target. For example, in measuring customer satisfaction with OSFA's products and services, Education found that, not only was the indicator of improving OSFA's rating met, but the office was only one percentage point away from meeting its multi-year target of a customer satisfaction rating comparable to the private financial services sector average.
- Education used four indicators to measure its progress toward meeting the objective that all educationally disadvantaged adults can strengthen their literacy skills and improve their earning power over their lifetime through lifelong learning. No fiscal year 2000 data were available for these indicators. In addition to the lack of current data, the data for all four were limited because information is collected and reported by state and local service providers and in some instances, there is no independent verification of the data.

Comparison of the Department of Education's Interim Fiscal Year 2000 Performance Report With the Prior Year Report for Selected Key Outcomes

For the selected key outcomes, this section describes major improvements or remaining weaknesses in Education's interim fiscal year 2000 performance report in comparison with its fiscal year 1999 report.

One prominent weakness in last year's performance report—a lack of data for the reporting period—continues in the interim fiscal year 2000 report. Specifically, Education did not have fiscal year 2000 performance data for over three-fourths of the goals associated with the outcomes we looked at. According to Education officials, 2000 data will be provided in the future as data become available.

The biggest difference in the reports is the lack of a discussion on how Education plans to achieve its objectives and unmet goals. Additionally, only limited explanations were given as to why goals were unmet. Education officials told us that they did not want to pursue a planning effort—including activities related to how the department plans to achieve its objectives—until senior leadership has been appointed and the President's education proposal is passed into law. Instead, as stated earlier, Education wants to wait and incorporate any changes in departmental strategies in the final fiscal year 2002 performance plan scheduled to be issued by September 30, 2001.

The biggest improvement to this year's report is the addition of a section dealing with some of the major management challenges. In this section, Education discussed over half of the 14 major management challenges facing the department as identified by GAO and Education's OIG. According to Education officials, it decided not to report on those management challenges for which plans from the new administration might affect the strategy for addressing the challenge. More specifically, Education addressed those challenges for which the course of action would be the same regardless of the department's leadership or the contents of new education legislation. For example, one management challenge that Education addressed was to ensure financial integrity; this needed to be addressed no matter who leads the agency or what is included in the President's education proposal. Conversely, Education wanted to wait to address the management challenge to promote coordination with other federal agencies and school districts to help build a solid foundation of learning for all children. According to a departmental official, Education plans on integrating actions needed to address this challenge with actions needed to address other proposed initiatives from the new administration.

In general, the section was helpful in that it outlined the scope of the challenges, identified some performance indicators to be used to assess progress in meeting the challenges, and detailed some strategies to address the challenges. Of the eight challenges discussed in the section, there was a range of thoroughness with which the challenges were addressed. For example, some challenges were mentioned briefly with a short discussion of the status of the challenge and no discussion of goals or measures; other challenges were discussed in-depth with comprehensive discussions of strategies and detailed goals and measures set out. Education officials told us that they plan on addressing more of the challenges in the department-wide performance plan scheduled to be issued September 30, 2001.

The Department of Education's Efforts to Address the Major Management Challenges Identified by GAO

GAO has identified two governmentwide high-risk areas: strategic human capital management and information security. Regarding strategic human capital management, we found that Education's interim performance report did have some limited data related to human capital, but that the interim report did not explain its progress in resolving human capital challenges. For example, Education reported on the percentage of managers who believe their staff possess adequate skills for their jobs; however, there was no broader discussion of strategic human capital management such as leadership continuity and succession planning. There was no discussion of strategic human capital management in last year's performance report or plan—no specific goals, measure, or strategies. While noting that the department has addressed strategic human capital management issues to a limited extent in the agency's revised strategic plan, Education officials told us that more needs to be done by the department to address this serious issue.

With respect to information security, we found that Education's performance report noted that the department had recently updated security plans and performed security reviews on almost all mission critical systems. Additionally, in the management challenges section of the interim program performance report, Education included management and performance goals for completing specific security activities. For example, the report states that 100 percent of the department's mission critical systems will have security plans and tested contingency backup plans; however, no dates were associated with these measures.

In addition to these governmentwide challenges, GAO has identified four major management challenges facing Education, that generally encompass some of the outcomes discussed in this report: improving financial

management to help build a high-performing agency; ensuring access to postsecondary education while reducing the vulnerability of student aid to fraud, waste, error, and mismanagement; encouraging states to improve performance information; and promoting coordination with other federal agencies and school districts to help build a solid foundation of learning for all children. Education's performance report discussed the department's progress in meeting the first two of these challenges. Additionally, Education officials told us that the Secretary established the Management Improvement Team to develop a plan to address Education's management challenges. Further, these officials said that the department has discussed some of these issues in its revised strategic plan.

Conclusions

Education will continue to be challenged to improve its performance. In general, given the lack of performance data, explanations, and strategies to meet unmet goals in the future, it was difficult to assess progress. Also, we could not assess planned progress given the lack of a performance plan.

Specifically, we found that it was difficult to assess Education's progress in achieving the six outcomes due to the lack of fiscal year 2000 data for many of its indicators. The non-annual reporting structure of many studies used for Education's goals make the lack of fiscal year data a perennial problem in addressing Education's progress on an annual basis. Education will continue to have difficulty in fulfilling its task of annual reporting given the large gaps in reportable annual data.

Consistent with our findings in reviewing Education's performance report from last year, we found that Education had no goals or measures associated with the outcome of preventing fraud, waste, mismanagement, and error in the student financial assistance programs. We put the student financial assistance programs on our high-risk list because they are vulnerable to fraud, waste, abuse, and mismanagement. While OSFA has established a target of being removed from GAO's high-risk list, there were no corresponding goals or measures in the department's interim report. However, Education has revised its strategic plan to incorporate an objective of ensuring financial integrity within the department. Education officials also told us that they may include in future performance plans specific goals and measures related to this outcome.

Finally, in last year's assessment of Education's performance plan and report, we noted that there was no discussion of how human capital would have supported achievement of the outcomes. We found that similarly for

this year, there was no discussion in the interim report on strategic human capital management.

Recommendations for Executive Action

To improve Education's future performance reports and plans, we recommend that the Secretary of Education take the following actions:

- Initiate a dialogue with the appropriate congressional committees to discuss the lack of annual reporting data and what this means with respect to how management at the department is most appropriately assessed and how Education could be more responsive to Congress in fulfilling its annual GPRA reporting requirements.
- Develop performance goals and measures to address the outcome of less fraud, waste, mismanagement, and error in student financial assistance programs.
- Develop specific goals and measures to be included in future performance reports and plans to address the issue of strategic human capital management.

Scope and Methodology

As agreed, our evaluation was generally based on the requirements of GPRA, the Reports Consolidation Act of 2000, guidance to agencies from the Office of Management and Budget (OMB) for developing performance plans and reports (OMB Circular A-11, Part 2), previous reports and evaluations by us and others, our knowledge of Education's operations and programs, GAO's identification of best practices concerning performance planning and reporting, and our observations on Education's other GPRA-related efforts. We also discussed our review with agency officials in the department and with the department of Education's OIG. The agency outcomes that were used as the basis for our review were identified by the Ranking Minority Member, Senate Governmental Affairs Committee as important mission areas for the agency and generally reflect the outcomes for all of Education's activities. The major management challenges confronting Education, including the governmentwide high-risk areas of strategic human capital management and information security, were identified by GAO in our January 2001 performance and accountability series and high risk update, and were identified by the Department of Education's OIG in December 2000. We did not independently verify the information contained in the performance report and plan, although we did draw from other GAO work in assessing the validity, reliability, and timeliness of Education's performance data. We conducted our review from April 2001 through June 2001 in accordance with generally accepted government auditing standards.


Agency Comments

On June 28, 2001, we obtained written comments on our draft report from the Deputy Secretary of Education. Education generally agreed with our conclusions and recommendations. The Deputy Secretary said that he and the Secretary share many of our concerns about the Department's strategic planning process and management challenges and that Education has taken steps to tackle these issues, including a top-to-bottom review of its strategic planning process and the formation of a team of senior staff to fix the department's management and fiscal accounting problems. In addition, the Deputy Secretary cited anticipated sweeping changes to America's schools and the Department resulting from the reauthorization of the Elementary and Secondary Education Act and other reauthorizations as the rationale for not including strategies for achieving its objectives in the interim fiscal year 2000 performance report. Education also provided oral technical comments on our draft report, which we incorporated when appropriate. Education's written comments are printed in appendix II.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to appropriate congressional committees; the Secretary of Education; and the Director, Office of Management and Budget. Copies will be made available to others on request.

If you or your staff have any questions, please call me at (202) 512-7215. Key contributors to this report were David Alston, Jeff Appel, Kelsey Bright, Cheryl Driscoll, Joy Gambino, Eleanor Johnson, Gilly Martin, Joel Marus, and Glenn Nichols.

Sincerely yours,



Cornelia M. Ashby
Director, Education, Workforce,
and Income Security Issues

Appendix I: Observations on the Department of Education’s Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Education, which include the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office and/or the Department of Education’s Office of Inspector General (OIG). The second column discusses what progress, as discussed in its fiscal year 2000 interim performance report, Education made in resolving its challenges. As mentioned in the body of this report, new to Education’s performance reporting this year was a section entitled: “Management Challenges: Successes and On-going Efforts.” We found this to be a helpful tool for tracking Education’s progress in addressing some of the management challenges.

We found, either in the management challenges section or elsewhere in the report, that Education discussed the agency’s progress in resolving more than half of the identified challenges.

Table 1: Major Management Challenges.

Major management challenge	Progress in resolving major management challenge as discussed in the interim fiscal year 2000 performance report
GAO-designated governmentwide high risk	
<p><u>Strategic Human Capital Management</u>: GAO has identified shortcomings at multiple agencies involving key elements of modern human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.</p>	<p>There were no goals or measures specifically related to this management challenge in the interim report, however; Education had some related goals, such as, 70% of respondents would agree that manager and employee knowledge and skills are adequate to carry out Education’s mission. In this year’s interim report, Education reported that only 59% of managers agreed with that statement. This number is up from 57% in 1998.</p>
<p><u>Information Security</u>: Our January 2001 high-risk series update noted that since our last high-risk report in January 1999, efforts to strengthen information security have gained momentum and expanded both at individual agencies and at the governmentwide level. However, recent audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Note: OIG identified information security of department systems as a management challenge. In addition, OIG reported information security as a material weakness on the department’s fiscal year 2000 financial audit report.</p>	<p>Education addressed this issue in the management challenges section of the interim report by including management performance goals for completing specific security activities. Education acknowledged the security weaknesses in its systems and reported information security controls as a material weakness in its Federal Managers Financial Integrity Act report for 2000. Education’s interim performance report noted that the department has recently updated security plans and performed security reviews on almost all mission critical systems. Further, the department reported that (1) corrective actions related to these reviews and recent OIG audits were underway and (2) these actions included security improvements in the network firewall, tighter network access controls, and development and testing of disaster recovery plans.</p>

Appendix I: Observations on the Department of Education's Efforts to Address Its Major Management Challenges

Progress in resolving major management challenge as discussed in the interim fiscal year 2000 performance report

Major management challenge

GAO-designated major management challenges

Encouraging states to improve performance information and upgrade federal evaluations used to assess how well all children reach challenging academic standards.

The interim report's section on management challenges discussed this issue, however; there were no indicators of progress listed for this challenge. Instead, the report lists the current situation related to the challenge, several planned performance indicators, and several strategies for addressing the challenge. For example, Education established the performance indicator of continuously improving the accuracy and timeliness of data for program performance measurement. As part of this effort, Education states that it is establishing a database to track this indicator.

Promoting coordination with other federal agencies and school districts to help build a solid foundation of learning for all children.

This challenge was not addressed in the interim report, however; an Education official told us that it would be included in their annual plan scheduled to be issued by September 30, 2001.

GAO- and OIG-designated major management challenges

Improving financial management to help build a high-performing agency: Education continues to face serious financial management challenges that hinder its ability to (1) obtain timely and complete financial information; (2) decrease vulnerability to fraud, waste and mismanagement; (3) ensure adequate accountability to taxpayers; (4) manage for results; and (5) help decisionmakers make timely and informed judgments. Education's Fiscal Year 2000 financial statement audit disclosed continuing weaknesses that have prevented the agency from receiving a "clean" or unqualified audit opinion.

Education addressed this issue in the management challenges section of the interim report. Education did not meet its goal to receive a "clean" audit opinion on its fiscal year 2000 financial statements. The interim report discussed various improvements Education is implementing to achieve a "clean" opinion and eliminate reported internal control weaknesses. These improvements include the phased implementation of a new general ledger system, financial policies and procedures designed to enhance internal controls, and reconciliation, and reporting processes. Although progress is noted, material weaknesses from prior years remain in financial reporting, reconciliations and information systems. Additionally, the performance report does not discuss performance measures or targets related to implementing additional compensating controls since significant weaknesses exist in Education's general ledger system. An example of a compensating control is a review for duplicate or improper payments to ensure that errors and irregularities are detected in a timely manner. The fiscal year 2000 financial statement audit report cited Education's duplicate payments as part of its financial management systems and financial reporting material weakness. A related performance measure or target is to ensure that any duplicate or improper payment is prevented and/or detected in a timely manner.

Further, in the interim report, Education gives a count of three material weaknesses and two reportable conditions found in the fiscal year 2000 financial statement audit but does not list or describe them. Education also dropped from its interim report its fiscal year 2001 target of an unqualified audit opinion and zero material weaknesses and reportable conditions as shown in its fiscal year 1999 performance report.

**Appendix I: Observations on the Department
of Education's Efforts to Address Its Major
Management Challenges**

Major management challenge

Ensure access to postsecondary education while reducing the vulnerability of student aid programs to fraud, waste, error, and mismanagement: In our June 2000 report on Education's fiscal year 1999 performance report and fiscal year 2001 performance plan¹, we reported that Education did not have a sound, integrated information technology strategy to manage its portfolio of student aid information systems. Therefore, the department, guaranty agencies, schools, and lenders often did not have the accurate, complete, and timely information on program participants needed to effectively manage the programs.

OIG-designated major management challenges

Fully implementing the Clinger-Cohen Act: This Act requires federal agencies to significantly improve the acquisition and management of information technology in order to advance mission performance and service delivery.

Improving the department's internal controls: The department faces continued challenges to design and implement effective internal controls. In addition, the OIG has been pursuing those suspected of defrauding the federal government.
(OIG has identified this area as a separate major management challenge while GAO includes this area in the broad category of improving financial management.)

Defining the role of the Performance-Based Organization: OIG noted, for instance, that while OSFA is afforded some procurement flexibilities through the PBO legislation, some issues concerning proper delegations of authority for procurement vis-à-vis the Secretary, have not been addressed.

Obtaining performance measurement and data quality for GPRA reporting. According to the OIG, GPRA reporting requirements present two significant challenges to Education: (1) to ensure the correct measures were selected and (2) to ensure the source of the data is of sufficient quality.

Progress in resolving major management challenge as discussed in the interim fiscal year 2000 performance report

The management challenges section of Education's interim performance report includes a goal to remove the student financial aid programs from GAO's high-risk list. The report discusses Education's progress in strengthening financial management and internal controls for the student loan programs. For example, the report states that the fiscal year 2000 audit report issued in February 2001, did not disclose any weaknesses in the Office of Student Financial Assistance (OSFA) monitoring area.

Education discussed the implementation of the Clinger-Cohen Act in the management challenges section of the interim report. There are no historical data listed with which to gauge progress or reference to where such data may be obtained. Instead, in terms of progress, the report discusses planned measures such as that 80 percent of IT projects will be within 10 percent of cost, schedule, and performance goals.

This challenge was addressed in the interim report. Education did not achieve its fiscal year 2000 goal of reducing its material internal control weaknesses to zero. Education's auditors' report on internal controls for fiscal year 2000 included three material internal control weaknesses—all long-standing from prior years. Education, however, did meet its target of reducing its number of internal control reportable conditions to two. Although improvement needed in communication and coordination efforts was not considered a separate reportable condition, it was integrated within other internal control issues in the auditors' report.

This challenge was not addressed in the interim report.

This management challenge was briefly addressed in the interim report within the challenge of improving the quality of state performance data. The short section discussed the number of indicators (1082) reported as program specific for fiscal year 2000. For these indicators, Education reports on how many have current year data (20 percent), data from the prior year/prior 2-years, and no data. Also, for each program-level indicator, Education has a section entitled the "sources and data quality." This gives detailed information on the indicators as assessed by Education.

Additionally, the report contains the following related indicator:

¹ *Observations on the Department of Education's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan (GAO/HEHS-00-128R, June 30, 2000).*

**Appendix I: Observations on the Department
of Education's Efforts to Address Its Major
Management Challenges**

Major management challenge	Progress in resolving major management challenge as discussed in the interim fiscal year 2000 performance report
<u>Implementing a student financial assistance modernization blueprint and performance plan.</u> According to the OIG, the blueprint will be a significant challenge for OSFA and will largely depend on its ability to re-engineer processes and modernize its systems.	"By 2000, all Education Department program managers will assert that the data used for their program's performance measurement are reliable, valid, and timely, or will have plans for improvement." Education reported that final data are not available for 2000, but that the 1999 data showed progress towards the goal, with 85% of the managers reporting that the data are of high quality.
<u>Moving to a paperless environment.</u> Education is required to implement the Government Paperwork Elimination Act (GPEA) that requires it to move to electronic government by October 21, 2003.	This challenge was not addressed in the interim report.
<u>Balancing compliance monitoring and technical assistance in the oversight of Education programs:</u> The department should strengthen its compliance monitoring efforts in order to enhance oversight and integrity of federal education programs.	This challenge was addressed in the management challenges section of the interim report. In terms of reporting on progress, Education noted that it had submitted a GPEA plan to the Office of Management and Budget (OMB) that identified about 300 Paperwork Reduction Act transactions to determine the practicability of offering electronic alternatives to conducting these transactions.
<u>Obtaining income verification from the Internal Revenue Service (IRS):</u> Education remains challenged in obtaining its legal authority to match self-reported income on applications for federal student financial aid with IRS data on actual income reported for tax purposes. IRS maintains that in order to implement this provision, Congress would need to specifically change the disclosure provisions in the Internal Revenue Code.	This challenge was not addressed in the interim report.
This challenge was not addressed in the interim report.	

Appendix II: Comments From the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

June 28, 2001

Ms. Cornelia M. Ashby
Director, Education, Workforce,
and Income Security Issues
General Accounting Office
Washington, D.C. 20548

Dear Ms. Ashby:

Thank you for your thorough review and detailed comments on the Department of Education's Interim Fiscal Year 2000 Performance Report. Secretary Paige and I share many of your concerns about the Department's strategic planning process and management challenges, and we are tackling these issues head-on. We take the GPRA planning and reporting process seriously, and we look forward to using it as a tool to manage this agency for results.

Let me address two of the issues raised in your critique: the interim report's lack of information about strategies for reaching our objectives and the management challenges inherited by this administration.

As you know, comprehensive education reform is President Bush's top domestic priority. On his second day in office, the President articulated a clear set of principles in his plan *No Child Left Behind*, which is now awaiting final approval in Congress. This bill, which reauthorizes the Elementary and Secondary Education Act, will bring sweeping changes to America's schools and to this Department. For the first time in history, federal education funds will be linked to results. Clearly, we take performance and accountability seriously. We will demand it from our schools, and we will demand it from this agency.

In the next several years, this Department will be obsessed with implementing ESEA aggressively and thoughtfully. We will also be preparing for other important reauthorizations: for our research and improvement programs; our special education programs; and soon enough, our higher education initiatives. To continue the GPRA process in a business-as-usual manner would have been to ignore the sweeping changes soon to transform this agency. And let me assure you: the next several years will not be business as usual.

We have commenced a top-to-bottom review of the Department's strategic planning process. It is imperative that our 5-year strategic plan and our GPRA annual plans and reports reflect the fundamental changes afoot in federal education policy. We must ensure that these documents serve as meaningful tools to better manage the Department and measure results. Within this context, I think you will agree that delaying any discussion of future strategies in our interim report was a responsible course of action.

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Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

Appendix II: Comments From the Department
of Education

Page 2 – Ms. Cornelia M. Ashby

Next, let me respond to your rightful concerns about management at the Department. Even before our first day on the job, the Secretary and I have attacked the management challenges plaguing this Department. Two months ago, the Secretary announced the formation of the Management Improvement Team – a strike team of members of the senior staff who have been working exclusively on fixing the management and fiscal accounting problems.

Since the Secretary's April 20 public announcement, the Management Improvement Team has been working toward five specific goals:

- 1) Obtain a clean audit opinion from the Department's auditors;
- 2) Remove Student Financial Assistance programs from the GAO High-Risk List;
- 3) Put in place effective systems of internal controls to protect the Department's assets from waste, fraud, and abuse;
- 4) Continue efforts to modernize student aid delivery and management, continue efforts to reduce student loan default costs, and use IRS data for income verification; and
- 5) Make accountability for results the primary operating principle for all Department managers, grantees, and contractors.

An interim report of the Management Improvement Team will be published in early July and will show great progress toward achieving these goals. The results of this effort will be reflected in our new strategic plan and our GPRA annual plans and reports.

Again, thank you for your thorough evaluation of our interim report. We look forward to working with you and all members of Congress to reinvigorate the GPRA process here at the Department to ensure that it is meaningful, focuses on management and results, and ensures that no child is left behind.

Sincerely,



William D. Hansen

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