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Health, Education, and  
Human Services Division

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June 30, 2000

The Honorable Fred Thompson, Chairman  
The Honorable Joseph I. Lieberman, Ranking Member  
Committee on Governmental Affairs  
United States Senate

Subject: Observations on the Department of Education's Fiscal Year 1999  
Performance Report and Fiscal Year 2001 Performance Plan

As you requested, we have reviewed the 24 Chief Financial Officers Act agencies' fiscal year 1999 performance reports and fiscal year 2001 performance plans required by the Government Performance and Results Act of 1993 (GPRA). In essence, under GPRA, annual performance plans are to establish performance goals and measures covering a given fiscal year and provide the direct linkage between an agency's longer term goals and day-to-day activities. Annual performance reports are to subsequently report on the degree to which those performance goals were met.

This letter contains two enclosures responding to your request concerning key program outcomes and major management challenges at the Department of Education. Enclosure I provides our observations on Education's fiscal year 1999 performance and fiscal year 2001 planned performance for the key outcomes that you identified as important mission areas for the agency. These key outcomes are (1) all students reach challenging academic standards that prepare them for responsible citizenship, further learning, and productive employment; (2) less fraud, waste, and error in student assistance programs; (3) strong, safe, disciplined, and drug free schools; and (4) greater public school choice available to students and families. Enclosure II lists the major management challenges facing the agency that we and Education's Inspector General (IG) identified, how its fiscal year 1999 performance report discussed the progress the agency made in resolving these challenges, and the applicable goals and measures in the fiscal year 2001 performance plan.

### **Results in Brief**

Overall, Education's fiscal year 1999 performance report and fiscal year 2001 performance plan address three of the four key outcomes. There are no goals or objectives that directly address the outcome of less fraud, waste, and error in the student financial assistance programs. Because GAO has placed the student financial

assistance programs on its high-risk list, we believe the performance plan should include goals, objectives, or measures that directly address the need to improve management and oversight of them. We are concerned that the Office of Student Financial Assistance—the newly established performance-based organization that administers the programs—has not established a goal or objective to address the issues needed to remove the programs from GAO’s high-risk list.

Education established seven indicators to address the outcome that all students reaching challenging academic standards. According to the performance report, data for fiscal year 1999 are not yet available to report progress on six of these indicators. For most of these indicators, the data will be available later this summer or fall of this year. Most of these data are gathered during surveys taken only once every 2 to 6 years. Even in those cases where data are collected annually, however, it is typically about a year before the data are released publicly. The one indicator Education reports meeting for this outcome is increasing the number of high school students that successfully complete advanced placement courses each year. Education plans to continue to work toward achieving all seven indicators, noting the need to act in partnership with state and local school authorities.

Education’s performance objective to make schools strong, safe, disciplined, and drug free has only partially been addressed. The performance report indicates the target for one measurement indicator—reducing the prevalence of past month use of illicit drugs and alcohol by 20 percent from 1996—was not met. Another—reducing alcohol and drug use in schools—was exceeded. The report also states progress has been made in reaching the target for another indicator to reduce the number of criminal and violent incidents in schools by students. Although these indicators focus directly on the objective, some of the measures used may not be adequate to assess whether the indicators are being fully met. For example, to assess progress in reducing alcohol and drug use in schools, Education appears to be using marijuana use as a proxy for all drug use.

Education’s performance objective to have greater public school choice available to students and families has also been only partially addressed. The fiscal year 1999 performance report indicates that interim targets for two indicators were exceeded—by 2002, 3,000 charter schools will be operating nationwide, with at least 40 states will have charter school legislation by 2001. However, the target for another indicator—increasing the number of public school students in grades 3 through 12 attending a school they or their parents chose—was not met. The target for 1999 was 18 percent of public school students; 15 percent were found to be able to choose their school. No explanations are given for the level of progress on any of the indicator targets. The indicators used to measure these targets are fairly straightforward and clearly related to the objective.

Of the 12 major management challenges GAO and Education’s IG identified, the plan addresses them in the following ways:

- Goals or measures were established that were directly applicable to 3 of the 12 challenges. For example, a specific objective was established to address year 2000 computer compliance.
- Goals or measures were established that were indirectly applicable to another 6 of the 12 challenges. For example, to address the lack of adequate financial data, the plan included an indicator stating that, by the year 2000, all Education 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.
- Goals or measures were not established for two challenges but strategies to address these two were provided. For example, to address challenges associated with ensuring accountability, security, and legal enforceability for paperless systems for student aid program fund delivery, the plan refers to strategies for achieving objectives associated with reducing program unit costs and increasing customer satisfaction, including (1) increasing the number of electronic filings of student aid applications and (2) enabling students to correct application errors through the Internet. Improving Internet security is a strategy discussed as part of achieving another Department objective.
- No goals, measures, or strategies were established to address one major management challenge. In this case, the challenge concerned start-up and data integrity problems with Education's new financial management information system—the Education Central Automated Processing System.

### **Objectives, Scope, and Methodology**

Our objectives concerning selected key agency outcomes were to (1) identify and assess the quality of the performance goals and measures directly related to a key outcome, (2) assess Education's actual performance in fiscal year 1999 for each outcome, and (3) assess Education's planned performance for fiscal year 2001 for each outcome. Our objectives concerning major management challenges were to (1) assess how well Education's fiscal year 1999 performance report discussed the progress it had made in resolving the major management challenges that we and the Department's IG had previously identified and (2) identify whether Education's fiscal year 2001 performance plan had goals and measures applicable to the major management challenges.

As agreed, in order to meet the Committee's tight reporting time frames, our observations were generally based on the requirements of GPRA, guidance to agencies from the Office of Management and Budget 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, and our observations on Education's other GPRA-related efforts. We also reviewed the Office of Student Financial Assistance's 5-year performance plan and included information from this plan in the enclosures, as appropriate. Education's plan includes a second volume describing performance plans and reports for individual programs. We did not review this volume in our assessment. We did not independently verify the information contained in the performance report or plan. We conducted our review

from April through May 2000 in accordance with generally accepted government auditing standards.

## **Agency Comments and Our Evaluation**

On June 20, 2000, we obtained written comments on this letter from the Director of Planning and Evaluation Service, Department of Education. With regard to the measures for the key outcome on students reaching challenging academic standards, Education stated that it is not feasible to collect data for these measures annually. First, the surveys used for these measures are designed to track long-term trends and, as such, they are only conducted every 2, 3, or 4 years. Second, annual data collections would impose additional testing burdens on students and reporting burdens on school officials. Education noted it is having some difficulty in obtaining state and local cooperation for existing reporting requirements. It is pilot testing an initiative to improve the speed of data collection, especially state outcome data, and it hopes to be able to obtain these data on a real-time basis. Education also feels that consistently and systematically collected uniform national outcome data are more useful than the state collected data for meeting GPRA's strategic goal of obtaining high-quality long-term performance information on which to base sound policy and management decisions. We encourage Education to explore options for gaining more state and local cooperation in complying with existing reporting requirements. In addition, federal law will soon require state-level achievement data to be disaggregated to show outcomes for populations with special needs, such as children with disabilities. National outcome data samples often do not capture enough of these children to draw valid conclusions.

With regard to our observations on achieving strong, safe, disciplined, and drug-free schools, Education stated it uses a variety of measures to assess progress in reducing illegal drug use. It acknowledged that GAO was correct in observing that marijuana use was being used to measure all drug use for one of the indicators and plans to address this in next year's performance plan.

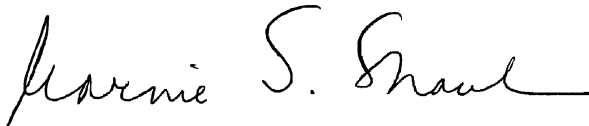
In response to our observations on reducing fraud, waste, and error in the student aid programs, Education did not directly address our concern that the performance plan should contain goals, objectives, or indicators that directly address reducing fraud and error or the issues that led to our high-risk designation. Instead, Education provided a summary of a number of oversight initiatives it has taken, such as using a risk-analysis system to help identify schools that may be having problems in administering the student aid programs and OSFA's shift to the use of performance-based contracting to achieve reduced waste. Education also provided a description of how OSFA developed its 5-year performance plan. As a performance-based organization, OSFA believes its performance plan should focus on a small set of important quantifiable objectives. Based on this belief and specific references in the legislation that established the performance-based organization, it decided to emphasize three such objectives—increasing customer satisfaction, reducing unit costs, and improving employee satisfaction—which are outlined as indicators in one objective of the Education's plan. We recognize that OSFA has taken actions to

improve program oversight and that there are potential benefits from focusing on selected, critical program objectives as a management improvement strategy. Nonetheless, many of the financial and information management problems we have reported on place the student aid programs at greater risk of fraud and abuse, and we believe that Education would be more likely to initiate the necessary corrective actions if its performance plan explicitly addressed this issue.

Regarding our observation that the fiscal year 2001 plan does not address how capital assets, management systems, and human capital will support achievement of Education's strategic goals, the Department stated that it intends to address this in future plans and to more specifically address the management challenges identified by GAO and Education's IG. Finally, Education provided us with technical comments, which we incorporated where appropriate.

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As arranged with your office, unless you 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 the Honorable Richard W. Riley, Secretary of the Department of Education; appropriate congressional committees; and other interested parties. Copies will also be available through our web site, "www.gao.gov." If you or your staff have any questions, please call me at (202) 512-7215. Key contributors to this letter were Harriet Ganson, Assistant Director, Joel Marus, Evaluator-in-Charge, and Linda Stokes, Senior Evaluator.



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Enclosures—2



**OBSERVATIONS ON THE DEPARTMENT OF EDUCATION'S FISCAL YEAR  
1999 ACTUAL PERFORMANCE AND FISCAL YEAR 2001 PLANNED  
PERFORMANCE RELATED TO KEY OUTCOMES**

This enclosure contains our observations on Education's FY 1999 actual performance and FY 2001 planned performance related to the following selected key outcomes: (1) all students reach challenging academic standards that prepare them for responsible citizenship, further learning, and productive employment; (2) less fraud, waste, and error in student assistance programs; (3) schools are safe and drug free; and (4) greater public school choice is available to students and families. Education's plan includes a second volume describing performance plans and reports for individual programs. We did not review this volume in our assessment.

**Key Agency Outcome: Ensure All Students Reach Challenging Academic Standards That Prepare Them for Responsible Citizenship, Further Learning, and Productive Employment**

Table I-1 shows Education's seven performance goals and measures for FY 1999 that relate to the key agency outcome of ensuring all students reach challenging academic standards that prepare them for responsible citizenship, further learning, and productive employment and whether or not these goals and measures were met in FY 1999, as reported in Education's FY 1999 performance report.<sup>1</sup>

**Table I-1: Goals and Measures to Ensure All Students Reach Challenging Academic Standards That Prepare Them for Responsible Citizenship, Further Learning, and Productive Employment and Their FY 1999 Status, as Reported by Education**

<b>Goal/measure</b>	<b>FY 1999 status</b>
Increasing percentages of all students will meet or exceed basic, proficient, and advanced performance levels in national and state assessments of reading, math, and other core subjects. The percentage of students scoring at or above the basic level reading and math assessment scores for grades 4, 8, and 12 are used to measure performance.	Data for FY 1999 not available
Students in high-poverty schools will show continuous improvement in achieving proficiency levels comparable to those for the nation. Reading and math performance average scores of 9-year-old public school students by poverty level of the school are used to measure performance.	Data for FY 1999 not available
The proportion of high school graduates, including vocational concentrators, who complete at least 3 years of science and 3 years of math will increase 10% between 1994 and 2000. Percentages of high school graduates taking 3 years of math, 3 years of science, and 10 specific math and science courses (for example, Algebra II, Physics) based on surveys of high school transcripts are used to measure performance.	Data for FY 1999 not available

<sup>1</sup>This outcome is similar to one of Education's strategic goals. While the goals and measures we discuss in table I-1 were reported in Education's FY 1999 performance report, Education did not publish these goals and measures until their FY 2000 plan.

Goal/measure	FY 1999 status
Increasing numbers of high school students will successfully complete advanced placement (AP) courses each year. The number of AP tests administered and the number with test scores required for college credit per 1,000 students are used to measure performance.	Goal met
Students in high-poverty schools will complete comparable amounts of challenging coursework—including AP courses—which will enable them to pursue higher education or other options. The percentage of high school graduates, based on school poverty level, who have taken 3 or more years of math and 3 or more years of science is used to measure performance.	Data for FY 1999 not available
High school attendance and graduation rates will continually improve—particularly in high-poverty schools and among students with disabilities and others at risk of school failure. Dropout rates for low-income, high-income, and all students are used to measure performance.	Data for FY 1999 not available
Increasing percentages of high school graduates will successfully transition into employment, further education, or the military. Census data of high school graduates who are not in college but are employed and of graduates who are in college the October after graduation are used to measure performance.	Data for FY 1999 not available

GAO Observations on Education's FY 1999 Goals and Measures to Ensure All Students Reach Challenging Academic Standards That Prepare Them for Responsible Citizenship, Further Learning, and Productive Employment

The indicators and measures for this key outcome are generally objective, measurable, and outcome-oriented. In some cases, we do not believe the measures are the most appropriate for assessing progress on the goal. For example, the indicator for continually improving high school attendance and graduation specifically includes disabled students, but the measure used does not.

Education's FY 1999 performance report states that performance data for FY 1999 are not yet available for six of the seven indicators. In most of these cases, according to the report, it will be available in the summer or fall of 2000. Most of these data are gathered during surveys taken only once every 2 to 6 years. Even in those cases where data are collected annually—as it is for high school attendance and graduation rates—it is typically about a year before the data are released publicly. The report does provide data for earlier years.

Education reports that it met the target for the indicator of increasing the number of high school students who successfully complete AP courses. It cites specific data sources and the basic validation procedures used. Because the National Center for Education Statistics has a role in reviewing data for all of the indicators, we believe the information is likely to be credible.



Unmet FY 1999 Performance Goals and Measures for This Key Outcome

No goals or measures were unmet; however, FY 1999 data for six of the seven goals and measures were not available.

Education's FY 2000 Performance Goals and Measures to Ensure All Students Reach Challenging Academic Standards That Prepare Them for Responsible Citizenship, Further Learning, and Productive Employment

There were no changes between Education's FY 1999 and FY 2000 performance plans for this key outcome for FY 2001.

Education's FY 2001 Performance Goals and Measures to Ensure All Students Reach Challenging Academic Standards That Prepare Them for Responsible Citizenship, Further Learning, and Productive Employment

The following changes were made to the indicators for this key outcome for FY 2001:

- The proportion of high school graduates, including those with vocational concentrations, who complete at least 3 years of science and 3 years of math will increase 10% between 1994 and 1998.
- Increasing percentages of high school graduates will successfully transition into employment or further education (reference to the military was dropped), and measures were changed from specific targets to a continuous increase.

The following changes were made to measures for assessing indicator performance:

- Instead of reporting on the number of students in high-poverty schools that complete comparable amounts of challenging coursework in FY 2000, Education will report such numbers from FY 1998. This change was made to be consistent with the frequency of the survey in which the needed data were collected.
- Instead of establishing annual interim numerical targets for continually improving high school attendance and graduation rates, Education set a target of a continuous decrease in the rates.

GAO Observations on the FY 2001 Performance Plan for This Key Outcome

The revisions made to the indicators were not substantive in nature. Rather, they are mostly due to circumstances related to sample size, the timing of data collection, and clarifying target dates or numerical targets. In the two cases where the targets were changed from specific numerical goals to continuous decrease, the plan only states this was done because there was no reasonable basis for setting precise targets.

The discussion of this outcome addresses weaknesses GAO identified in Education's earlier performance plans in the following ways:

- There is no discussion of coordinating with other federal agencies on developing or implementing similar programs or complementary performance goals or measures that are related to the seven objectives.
- Brief discussions of data limitations are included in the descriptions of the outcome measures.

There is no discussion here, or anywhere else in the plan, addressing how capital assets, critical management systems, or human capital will support achievement of these outcomes.

### **Key Agency Outcome: Less Fraud, Waste, and Error in Student Assistance Programs**

Education established no performance goals or objectives for FY 1999 directly related to this agency outcome. The performance plan includes a measurement indicator of no material weaknesses and reportable conditions in the FY 1999 financial statement audit.

### **GAO Observations on Education's FY 1999 Goals and Measures to Have Less Fraud, Waste, and Error in Student Assistance Programs**

Audit findings of material weaknesses and reportable conditions are an appropriate and important outcome to track. The measure used—number of such findings—is clearly objective and quantifiable. As we discuss further below, GAO believes Education should have given this outcome more prominence in its performance plan.

### **Unmet FY 1999 Performance Goals and Measures for This Key Outcome and Our Observations**

No material weaknesses and reportable conditions.

The FY 1999 performance report was published before the FY 1999 audit report was released. It gives a count of the material weaknesses and reportable conditions found in the FY 1998 audit but does not list or describe them. Four material weaknesses and four reportable conditions were identified as part of the FY 1999 financial statement audit. These include the need to strengthen financial reporting, improve account reconciliation, and enhance information system controls.

Education's FY 2000 Performance Goals and Measures to Have Less Fraud, Waste, and Error in Student Assistance Programs

Education established no performance goals or objectives directly related to this key agency outcome. Two performance indicators relate to specific steps to minimize waste:

- Process all transactions with schools so that disruptions for students and schools are minimal.
- Review performance-based organization operations to identify cost-cutting actions in delivering student aid.

In the FY 1999 performance report, Education adjusted its target for material weaknesses and reportable conditions to one material weakness and three reportable conditions in the FY 1999 audit. It also set targets of no material weaknesses for FY 2000 and FY 2001, two reportable conditions in FY 2000, and one reportable condition in FY 2001.

GAO Observations on the FY 2000 Performance Plan for This Key Outcome

Because GAO has placed the student financial assistance programs on its high-risk list, we believe Education's performance plan should include goals, objectives, or measures that directly address the need to improve management and oversight of them. We are concerned that, as a performance-based organization, the Office of Student Financial Assistance (OSFA) has not established a goal or objective to address the issues needed to remove the programs from GAO's high-risk list.

Education's performance report does not discuss the status in achieving either of the two indicators. OSFA has prepared a 5-year performance plan of its own. In its final report on the status of its performance indicators for FY 1999, OSFA states that it did not satisfactorily meet the first indicator. It attributed this to high processing backlogs.

OSFA does not provide any explanation for the backlogs or discuss any details about how it intends to resolve these in the future other than stating it will retain this indicator. According to the performance plan, several specific measures are described to measure success in meeting this indicator. Some of them have quantifiable goals—for example, process 95% of school recertifications within 120 days of receipt. The current benchmark is 42%.

Education's FY 2001 Performance Goals and Measures to Have Less Fraud, Waste, and Error in Student Assistance Programs

The two indicators cited in the FY 2000 plan are no longer listed (nor are any other detailed indicators). However, OSFA's 5-year plan lists a large number of indicators that apply directly to this key outcome, including the following:

- work with the Internal Revenue Service (IRS) to participate in a pilot test of electronic matching of income data (by September 2000),
- resolve 90% of school audits within 6 months of receipt (the current baseline is 82%),
- expand our current initiatives to help noncompliant schools and schools on reimbursement prepare action plans to improve their management of title IV programs (by September 2000), and
- reduce fraudulent death and disability cases below 1998 baseline (by December 1999).

In the FY 1999 performance report, Education adjusted its target for material weaknesses and reportable conditions to one material weakness and three reportable conditions in the FY 1999 audit. It also set targets of no material weaknesses for FY 2000 and FY 2001, two reportable conditions in FY 2000, and one reportable condition in FY 2001.

GAO Observations on the FY 2001 Performance Plan for This Key Outcome

The FY 2001 plan discusses steps Education plans to take to address its overall financial management problems, including such measures as obtaining a new general ledger system and implementing monthly reconciliations. However, these descriptions do not provide much detail.

As stated above, we believe the plan should contain goals, objectives, or indicators that directly address the need to limit waste, fraud, and abuse. In fact, Education's FY 1998-FY 2002 strategic plan lists several indicators but do so that have not been included in any of the performance plans issued to date:

- the accuracy and integrity of data supplied by applicants, institutions, lenders, and guaranty agencies will show continuous yearly improvements;
- there will be no material internal weaknesses identified in the student aid programs' portions of the departmentwide financial statement audit, and there will be no student aid program issues that prevent the Department from receiving an unqualified opinion on the financial statements; and
- the percentage of postsecondary institutions found to be in substantial compliance with federal requirements will increase each year.

These indicators also relate to several of the management challenges discussed in enclosure II.

There is no discussion here, or anywhere else in the plan, addressing how capital assets, critical management systems, or human capital will support achievement of these outcomes.

**Key Agency Outcome: Strong, Safe, Disciplined, and Drug-Free Schools**

Table I-2 shows Education's three performance goals and measures that relate to the key agency outcome of having strong, safe, disciplined, and drug-free schools and whether or not these goals and measures were met in FY 1999, as reported in Education's FY 1999 performance report.

**Table I-2: Goals and Measures to Have Strong, Safe, Disciplined, and Drug-Free Schools and Their FY 1999 Status, as Reported by Education**

<b>Goal/measure</b>	<b>FY 1999 status</b>
By 2000, reduce the prevalence of past-month use of illicit drugs and alcohol among youth by 20%, as measured against the 1996 base year.	Goal not met
The number of criminal and violent incidents in schools by students will continually decrease between now and 2002.	Progress reported in meeting goal
By 1999, all local education authorities will use prevention programs that are based on the principles of effectiveness.	No data available

**GAO Observations on Education's FY 1999 Goals and Measures to Have Strong, Safe, Disciplined, and Drug-Free Schools and Their FY 1999 Status, as Reported by Education**

The indicators for this key outcome are generally objective, measurable, and quantifiable. The performance report discusses why Education selected these indicators and how it will use them to measure its progress in meeting the objective. For example, serious violent crime is included because, although rare, it is of great concern and has significant implications for public policy. The targets for measuring achievement of the objectives show gradual change from current levels and, therefore, appear reasonable. For example, the measure used to assess decreasing the number of criminal and violent acts in schools indicates plans to reduce the number of such crimes from 8 per 1,000 students in 1997 to 7 per 1,000 in 2001.

**Unmet FY 1999 Performance Goals and Measures for This Key Outcome**

Education indicates that the target for the first indicator was not met. Education reports—based on 1997 data—that progress is likely being met in meeting the second indicator. There is no report on the third indicator because it was dropped—the report does not explain this decision. The report discusses Education's explanation for the

level of progress for each indicator. For example, in assessing performance on the second indicator, Education states that, while no 1999 data existed, it believes one can still conclude that the 1999 target—8 incidents or less per 1,000 students—was likely to have been met based on the results of 1997 survey data.

#### Education's FY 2000 Performance Goals and Measures to Have Strong, Safe, Disciplined, and Drug-Free Schools

By 2000, reduce the prevalence of past-month use of illicit drugs and alcohol among school-aged children by 20%, as measured against the 1996 base year.

Education acknowledges that achieving the targets for this indicator for students in grades 10 through 12 is very ambitious and not likely to be achieved. It does not provide any further explanation why this is so or any target beyond 2001. The report notes that the targets for 1999 and 2000 were established by the Office of National Drug Control Policy to reflect a desired 20% decline from the 1996 rates.

#### Goals and Measures Added

- Rates of alcohol and drug use in schools will begin to fall by 2001.
- By 1999, all states will conduct periodic statewide surveys or collect statewide data on alcohol and drug use of students and incidents of crime and violence in schools.
- The percentage of teachers who are trained to address discipline problems in the classroom will increase significantly by 2000.

#### Goals and Measures Changed

- By 2000, reduce the prevalence of past-month use of illicit drugs and alcohol among youth by 20%, as measured against the 1996 base year. Recent increasing rates of alcohol and drug use (alcohol, marijuana, and tobacco) among school-age children will slow and begin to fall by 2000.
- The number of criminal and violent incidents in schools by students will continually decrease between now and 2001.
- By 1999, all school districts participating in the Safe and Drug-Free Schools program will use prevention programs based on the Education's Principles of Effectiveness.

#### GAO Observations on the FY 2000 Performance Plan for This Key Outcome

The FY 2000 performance plan does not clearly describe the reasons for the indicator revisions or the addition of new indicators. It also does not discuss how FY 1999 performance is likely to effect FY 2000 performance.

The FY 1999 performance report does discuss performance in achieving falling rates of alcohol and drug use in schools (the indicators of periodically conducting surveys and collecting data on alcohol and drug use and increasing the percentage of teachers trained in managing discipline problems were later dropped). However, it appears Education is

using marijuana use as a proxy to measure all drug use. According to the data limitations that are described, data on overall drug use are not collected, but data on the use of other specific drugs besides marijuana are. Also, the measure is only for students in grade 12.

### Education's FY 2001 Performance Goals and Measures to Have Strong, Safe, Disciplined, and Drug-Free Schools

#### Goal and Measure Added

- By 2001, the level of disorder in schools will decrease.

#### Goals and Measures Dropped

- By 1999, all school districts participating in the Safe and Drug-Free Schools program will use prevention programs based on the Education's principles of effectiveness.
- By 1999, all states will conduct periodic statewide surveys or collect statewide data on alcohol and drug use of students and incidents of crime and violence in schools.
- The percentage of teachers who are trained to deal with discipline problems in the classroom will increase significantly by 2000.

#### Goal and Measure Changed

- By 2000, the prevalence of past-month use of illicit drugs and alcohol among school-aged children will decrease by 20%, as measured against the 1996 base year.

### GAO Observations on the FY 2001 Performance Plan for This Key Outcome

Education streamlined the number of indicators it will use to focus on those with existing, nationally representative data sources. The plan suggests that a desire to minimize costs and the burden of additional data collection were at least part of the reason for this. The current indicators appear to focus directly on the objective, but some of the measures may not provide full assessments for the indicator. Again, the measure for the indicator of falling rates of alcohol and drug use in schools has the same limitations as in the FY 2000 plan. The measure for the new indicator on disorder in schools tracks only physical fights between students. There is no explanation why other disciplinary problems are not tracked.

There is no discussion of performance for the three indicators that were dropped.

The discussion of this outcome addresses weaknesses GAO identified in Education's earlier performance plans in the following ways:

- there is a section that describes where Education will coordinate with other federal agencies on implementing similar programs, and

- discussions of data limitations are included in the descriptions of the outcome measures.

There is no discussion here, or anywhere else in the plan, addressing how capital assets, critical management systems, or human capital will support achievement of this outcome.

**Key Outcome: Greater Public School Choice Available to Students and Families**

Table I-3 shows Education's two performance goals and measures that relate to the key agency outcome of having greater public school choice available to students and families and whether or not these goals and measures were met in FY 1999, as reported in Education's FY 1999 performance report.

**Table I-3: Goals and Measures to Have Greater Public School Choice Available to Students and Families and Their FY 1999 Status, as Reported by Education**

<b>Goal/measure</b>	<b>FY 1999 status</b>
By 2002, 25% of all public school students in grades 3 through 12 will attend a school that they or their parents have chosen.	Not applicable
By 2002, there will be 3,000 charter schools in operation around the nation.	Not applicable

**GAO Observations on Education's FY 1999 Goals and Measures to Have Greater Public School Choice Available to Students and Families**

The indicators are generally objective, measurable, and quantifiable. These indicators are fairly straightforward, clearly related to the objective, and do not need further explanation.

Education indicates that the interim target for the second indicator was exceeded—1,700 charter schools have been established nationwide compared to a goal of 1,600. The interim target for the first indicator was not met. The report does not give clear explanations for the level of progress for either indicator.

**Unmet FY 1999 Performance Goals and Measures for This Key Outcome**

Education did not meet its interim target for the indicator that by 2002, 25% of all public school students in grades 3 through 12 will attend a school that they or their parents have chosen. Education did not clearly explain the reasons the interim target was not met. It discusses progress and notes (1) there is some expectation that other nonfederally supported public school choice programs will increase and ultimately result in an increased percentage of students enrolled in schools that they and their families



choose and (2) that the target is ambitious. There is no discussion of specific strategies for meeting future targets for this indicator. However, Education does list several strategies for the objective, such as providing financial support and using outreach and networking to promote federally funded magnet and charter schools.

Education's FY 2000 Performance Goals and Measures to Have Greater Public School Choice Available to Students and Families

Goals and Measures Added

- By 2001, a minimum of 40 states will have charter school legislation.
- By 1999, at least half of school districts with 1,000 or more students will have public school choice options available to their students through magnet schools, charter schools, and open enrollment policies.

Goal and Measure Changed

- By 2003, 25% of all public school students in grades 3 through 12 will attend a school that they or their parents have chosen.

GAO Observations on the FY 2000 Performance Plan for This Key Outcome

Education does not provide any clear explanation for revising and adding indicators, but these appear to be obvious measures for the objective. The FY 2000 performance plan does list key strategies and activities for achieving this objective and maintaining program performance. For example, one strategy involves providing funds to support the planning and start-up cost of more charter schools as well as magnet school projects.

The FY 1999 performance report discusses performance in achieving a minimum of 40 states with charter school legislation (the second indicator added for FY 2000 was dropped). It states that the target for 1999 was exceeded and the 2002 target was likely to be met. There is no detailed discussion for any of the indicators on how the 1999 performance levels will effect 2000 performance levels.

Education's FY 2001 Performance Goals and Measures to Have Greater Public School Choice Available to Students and Families

Goal and Measure Dropped

- By 1999, at least half of school districts with 1,000 or more students will have public school choice options available to their students through magnet schools, charter schools, and open enrollment policies.

### Goals and Measures Changed

- By 2003, 25% of all public students in grades kindergarten through 12 will attend a school that they or their parents have chosen.
- By 2000, a minimum of 40 states will have charter school legislation.
- By 2002, there will be at least 3,000 charter schools in operation around the nation.

### GAO Observations on the FY 2000 Performance Plan for This Key Outcome

Some explanation was provided in the FY 2001 performance plan for changes to the indicators. For example, according to the plan, targets for the indicator that there will be at least 3,000 charter schools in operation around the nation were changed to more accurately reflect state and local trends. No explanation was given for dropping the indicator that at least half of school districts with 1,000 or more students will have public school choice options. Generally, though, no other major changes were made to these indicators since FY 1999.

Education's FY 2001 performance plan and FY 1999 performance report provide a list of the different coordinated activities with other federal agencies to promote schools of choice. For example, the agency is working with the Department of Agriculture to facilitate cooperation in creating materials to inform school lunch program staff about charter school programs.

The discussion of this outcome addresses weaknesses GAO identified in Education's earlier performance plans in the following ways:

- it describes several cases showing how Education will work with other federal agencies to coordinate development of charter schools with other federal programs—for example, Education staff work with IRS to discuss ways to ensure that charter school developers do not experience any undue delays in acquiring tax-exempt status; and
- discussions of data limitations are included in the descriptions of the outcome measures; these limitations do not appear to significantly affect Education's ability to analyze performance.

There is no discussion here, or anywhere else in the plan, addressing how capital assets, critical management systems, or human capital will support achievement of this outcome.

**OBSERVATIONS ON THE DEPARTMENT OF EDUCATION'S EFFORTS TO ADDRESS  
ITS MAJOR MANAGEMENT CHALLENGES**

The table on the following pages identifies the major management challenges confronting the Department of Education. The first column lists the major management challenges identified by GAO<sup>2</sup> and those identified by Education's IG. The second column summarizes the progress, as discussed in its FY 1999 performance report, Education has made in resolving these major management challenges. The third column discusses the extent to which Education's FY 2001 performance plan includes performance goals and measures to address these management challenges.

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<sup>2</sup>Major Management Challenges and Program Risks: Department of Education (GAO/OCG-99-5, Jan. 1999).

<b>Major management challenge</b>	<b>Progress in resolving major management challenge, as discussed in the FY 1999 performance report</b>	<b>Applicable goals and measures in the FY 2001 performance plan</b>
<p>Education’s administrative effort is inadequate to ensure access to postsecondary institutions while protecting federal financial interests. In addition, Education’s administration of these programs has contributed to federal exposure to mismanagement and abuses.</p>	<p>Education reports it is unable to judge progress because it established new indicators in its FY 2000 performance plan. The report briefly describes specific types of accomplishments Education expects to discuss in the FY 2000 performance reports and some of the steps being taken to achieve those accomplishments. However, OSFA’s performance report for FY 1999— included with its own 5-year performance plan—lists the status of each of the interim performance indicators it established. It states that OSFA either accomplished or continuously met standards for 29 of the 32 indicators.</p>	<p>One objective provides that postsecondary student aid delivery and program management will be efficient, financially sound, and customer responsive. Three subobjectives are outlined: (1) increase customer satisfaction to a comparable private sector average, (2) reduce actual unit costs from projected unit costs by 19% by FY 2004, and (3) improve OSFA’s ranking of employee satisfaction to one of the top five among government agencies by FY 2002.</p>
<p>Education does 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 do not have the accurate, complete, and timely information on program participants needed to effectively and efficiently operate and manage the programs. (Education’s IG also identified this as a management challenge.)</p>	<p>Neither Education’s performance report or OSFA’s FY 1999 interim performance report discuss progress in meeting this management challenge.</p>	<p>None. However, the section of the plan devoted to data verification and validation discusses developing a systems architecture for purposes of integrating the multiple student aid databases. The strategies for implementing the above objective include a discussion on implementing OSFA’s systems modernization blueprint, which includes systems integration. Another Education indicator also relates to this challenge: information technology assessments</p>

<b>Major management challenge</b>	<b>Progress in resolving major management challenge, as discussed in the FY 1999 performance report</b>	<b>Applicable goals and measures in the FY 2001 performance plan</b>
		will indicate that major information systems are mission-driven, cost-effective, and consistent with our information technology architecture and supported by performance-based management systems.
Lack of adequate financial data hinders management of student financial aid programs. For example, Education is unable to prepare financial statements that fairly present the actual financial condition of its student financial aid programs. (Education’s IG also identified this as a management challenge.)	Education did not receive a clean audit opinion on its FY 1999 financial statements. The performance report describes a number of steps being taken to correct this. In its FY 2000 performance plan, Education included an indicator for completing implementation of the Education Central Automated Processing System (EDCAPS) by FY 2000 to provide Department managers with consistent, timely and reliable financial and program information. This indicator was dropped. While the performance report does not state this, EDCAPS was fully implemented. However, the financial statement auditors reported significant problems with two subsystems in EDCAPS—the grant payment system and the general ledger. These problems include the inability to reconcile expenditure information in the two subsystems.	None. The section of the plan devoted to data quality standards outlines in detail the steps intended to be used by Education program managers to improve student financial aid data. Also, one indicator states that by the year 2000, all Education 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. However, the plan does not indicate if this includes financial data.
Year 2000 computer compliance is lacking. Education faces major risks	Education reports that it met its objective for this challenge (see next column). The	One FY 2001 objective—information technology investments are sound and

<b>Major management challenge</b>	<b>Progress in resolving major management challenge, as discussed in the FY 1999 performance report</b>	<b>Applicable goals and measures in the FY 2001 performance plan</b>
<p>that year 2000 failures could seriously disrupt the student financial aid delivery process. Because these systems are interdependent, repercussions from year-2000-related shortcomings could be felt throughout the student financial aid community. (Education’s IG also identified this as a management challenge.)</p>	<p>performance report includes a table summarizing the status of the Department’s year 2000 conversion for all of its 14 mission-critical systems.</p>	<p>used to improve impact and efficiency—includes an indicator that all major information systems needing repair will be converted to year 2000 compliance by March 1999 (giving time for testing during 1999) and validated through operation into March 2000.</p> <p>GAO no longer views this as a management challenge.</p>
<p>Education continues to be challenged in balancing oversight of programs and program flexibility. As a result, the Department does not have enough information on program effectiveness to meet the information needs of the Congress and other decisionmakers.</p>	<p>Education reports meeting, exceeding, or making progress in meeting its targets for the indicators it established under its objective that provides that partners will have the support and flexibility they need without diminishing accountability for results. For example, the report states that Education exceeded its target for timely review and award of grants—awarding 52% of grants by May 31, 1999, compared to a goal of awarding 48% by that date. However, none of the indicators or strategies discusses developing information on program effectiveness.</p>	<p>Three of the four indicators used emphasize increasing flexibility, with little focus on increasing accountability. Only one indicator includes accountability: recurring findings in statewide single audits and program review reports will decrease as the number of Cooperative Audit Resolution and Oversight Initiative projects increases with Education’s state partners.<sup>a</sup> A separate section of the report on program evaluation describes general measures Education uses or is developing to obtain information on program effectiveness.</p>

<sup>a</sup>The Cooperative Audit Resolution and Oversight Initiative is a collaborative method that provides alternative and creative approaches to resolve audit findings as well as their underlying causes. Its goal is to improve education programs and student performance at state and local levels through better use of audits, monitoring, and technical assistance. One way in which this is done is through Education and the states working together to help solve recurring problems identified through single audits as well as IG audits.

<b>Major management challenge</b>	<b>Progress in resolving major management challenge, as discussed in the FY 1999 performance report</b>	<b>Applicable goals and measures in the FY 2001 performance plan</b>
<b>Other areas identified by Education's IG<sup>b</sup></b>		
<p>Implementation of an effective performance-based organization to operate the student financial aid programs presents major management challenges.</p>	<p>According to Education's FY 1999 report, the performance of the performance-based organization cannot be judged because the indicators are newly established.</p> <p>Steps planned to achieve the indicator goals are described as well as certain issues that make their achievement challenging. For example, one of the indicators is to reduce unit costs for student financial aid programs. The report states that these costs will go up slightly in FY 2000 because of investment in new technology.</p> <p>In addition, OSFA's 5-year performance plan includes a report that lists the status of each of the interim performance indicators it established. It states that OSFA either accomplished or continuously met standards for 29 of the 32 indicators.</p>	<p>None. However, the strategies and indicators outlined for Education's objective to have efficient, financially sound, and customer responsive postsecondary student aid delivery and management constitute the performance standards for the performance-based organization. Also, OSFA's 5-year performance plan describes in more detail how it will achieve each of the indicators for this objective.</p>

<b>Major management challenge</b>	<b>Progress in resolving major management challenge, as discussed in the FY 1999 performance report</b>	<b>Applicable goals and measures in the FY 2001 performance plan</b>
<p>The Department's information technology staff still lack technical expertise for negotiating and overseeing systems contracts. (Not included in the IG's current list of major management challenges.)</p>	<p>The performance report does not discuss progress in meeting this management challenge.</p>	<p>None. However, the discussion of the strategies for achieving its information technology investments objective includes approaches to improving information technology training in general. It does not specifically mention training associated with negotiating and overseeing systems contracts.</p>
<p>The Department continues to experience start-up and data integrity problems with EDCAPS. (Not included in the IG's current list of major management challenges.)</p>	<p>(See description above under lack of adequate financial data.)</p>	<p>None.</p>
<p>Gatekeeping and institutional monitoring in the student financial aid programs are continuing management challenges. (Not included in the IG's current list of major management challenges.)</p>	<p>Neither Education's FY 1999 performance report nor OSFA's FY 1999 interim performance report discusses progress in meeting this management challenge.</p>	<p>None. However, OSFA's 5-year performance plan includes indicators to measure improvements in identifying schools that do not submit audits on time, processing school eligibility recertifications, resolving school audits, and assisting noncompliant schools in developing action plans to improve their management of title IV programs.</p>



<b>Major management challenge</b>	<b>Progress in resolving major management challenge, as discussed in the FY 1999 performance report</b>	<b>Applicable goals and measures in the FY 2001 performance plan</b>
<p>While Education now has legislative authority to implement a data match with IRS to ensure that student financial aid recipients accurately report income to qualify for financial aid, implementation challenges remain. Agreement has not been reached about how to implement this authority.</p>	<p>Neither Education’s FY 1999 performance report nor OSFA’s FY 1999 interim performance report discusses progress in meeting this management challenge or its current status.</p>	<p>None. However, OSFA’s 5-year performance plan includes an indicator to develop a pilot test of electronic matching of income data. A summary table in the FY 2001 plan of coordination efforts with other federal agencies shows no activity with the IRS related to the student financial aid programs. However, developing a pilot matching program is included among the strategies for Education’s objective to have efficient, financially sound, and customer responsive postsecondary student aid delivery and management.</p>
<p>“Paperless” systems for student financial aid fund delivery create new opportunities for efficiency and require effective controls to ensure accountability, security, and legal enforceability.</p>	<p>Education’s performance report does not discuss progress in meeting this management challenge. OSFA’s FY 1999 interim performance report states that it is meeting its target goal for increasing the number of electronic applications for student aid. It does not discuss any other measures that helped to meet this challenge.</p>	<p>None. However, among the strategies for achieving the above objective are increasing the number of electronic filings of the student aid application and enabling students to correct errors in their applications through the Internet. Improving Internet security is among the strategies for achieving the Department’s information technology investments objective.</p> <p>Neither Education’s plan nor OSFA’s 5-year plan includes a more specific discussion of controls or protections.</p>

<b>Major management challenge</b>	<b>Progress in resolving major management challenge, as discussed in the FY 1999 performance report</b>	<b>Applicable goals and measures in the FY 2001 performance plan</b>
<p>Performance reporting under GPRA will require management attention. The Department now needs to take additional steps, including finalizing and implementing a process for the accurate and timely reporting of GPRA performance indicators, in order to comply with the law.</p>	<p>The performance report states that Education is making progress in meeting its target for an indicator related to this challenge: by the year 2000, all Education 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 reports that it has completed this process for 103 of 122 indicators for programs encompassing about 90% of its budget. Even when standards were met, limitations still exist for some indicators, and additional steps to improve them are planned.</p> <p>No other sections of the report discuss progress in improving performance measurement.</p>	<p>One Education objective includes among its key strategies ensuring assessment of the quality of data systems; the indicator listed in the previous column is included with this objective.</p> <p>Separate sections of the plan discuss data and information quality improvement in more detail. They include (1) developing a new data system for elementary and secondary education programs, (2) improving postsecondary program data systems, (3) a short-term data quality improvement initiative, and (4) specific data quality standards outlined in detail to be used by Education program managers to improve student financial aid data.</p>

<sup>b</sup>Management Challenges Confronting the Department of Education, Dec. 1998 (U.S. Dept. of Education, Office of Inspector General, Washington, D.C., Dec. 1, 1998). In a letter to several congressional requestors dated Dec. 8, 1999, the IG provided an updated list of Education’s major management challenges. Several new items were added, which GAO does not include in this review.

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