



Report to the Chairman, Committee on
Health, Education, Labor, and Pensions,
U.S. Senate

April 2017

DISCRETIONARY GRANTS

Education Needs to Improve Its Oversight of Grants Monitoring

Accessible Version

GAO Highlights

Highlights of [GAO-17-266](#), a report to the Chairman, Committee on Health, Education, Labor, and Pensions, U.S. Senate

Why GAO Did This Study

In fiscal year 2015, Education awarded more than \$4 billion to over 7,000 grantees through some 80 discretionary grant programs. Over the past decade, GAO and Education's Inspector General identified various grants management and oversight challenges, including effectively monitoring grantee performance. GAO was asked to examine Education's oversight of its discretionary grants.

This report examines the extent to which Education: (1) consistently applied its discretionary grant monitoring policies, and (2) identified and shared across the department information about the performance of discretionary grantees. GAO reviewed the grant monitoring practices of three of Education's seven principal offices, which together awarded more than 80 percent of discretionary grant funds in fiscal year 2015, according to GAO's review of Education data, the most recent data available. Additionally, GAO reviewed a randomly selected, nongeneralizable sample of 75 official grant files; analyzed federal and Education grants policies and procedures; and interviewed Education grant officials and nine randomly selected grantees.

What GAO Recommends

GAO recommends Education establish and implement detailed written supervisory review procedures for official grant files and develop guidance for grant staff on using the PAM Module to share information. Education substantially agreed with both recommendations and described the procedures and training it will provide to implement them.

View [GAO-17-266](#). For more information, contact Jacqueline M. Nowicki at (617) 788-0580 or nowickij@gao.gov.

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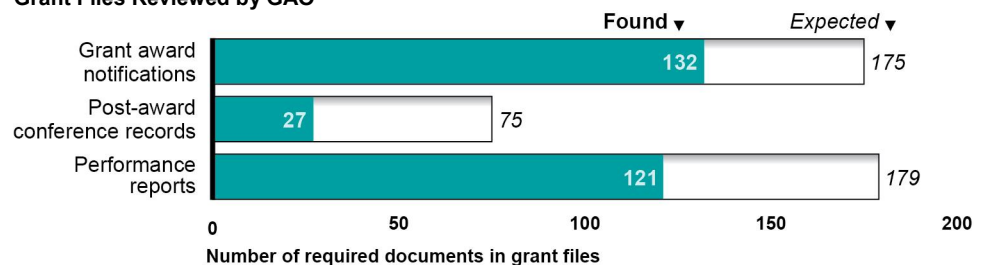
DISCRETIONARY GRANTS

Education Needs to Improve Its Oversight of Grants Monitoring

What GAO Found

U.S. Department of Education (Education) grant staff did not consistently document in the official grant files key required monitoring activities, according to GAO's review of a nongeneralizable sample of 75 discretionary grants. As a result, about \$21 million in discretionary grant funds lacked correct documentation of grantee performance in the official grant files GAO reviewed. Specifically, compared to Education's requirements for these files, almost all—69 of 75—were incomplete in terms of certain key documents (i.e., grant award notifications, post-award conference records, and annual performance reports) that should have been contained in them (see figure). Further, the three principal offices GAO reviewed—the Offices of Postsecondary Education, Elementary and Secondary Education, and Innovation and Improvement—have not established detailed written procedures for the supervisory review of official grant files, contrary to federal internal control standards, which call for entities to provide reasonable assurance that internal control objectives, such as grant monitoring, are achieved and clearly documented. By developing and implementing detailed supervisory review procedures for official grant files, Education would be better positioned to ensure the proper stewardship of its discretionary grants.

Required Key Monitoring Documentation Found in the 75 Education Discretionary Official Grant Files Reviewed by GAO



Source: GAO analysis of U.S. Department of Education (Education) official grant files. | GAO-17-266

Note: Number of documents expected is based on Education's grant oversight policies. Education spent about \$700,000 to develop features within the Post-Award Monitoring (PAM) Module of its grants management system that allow staff to, for example, identify and share performance information to a central location, but it has not developed guidance on its effective use by grant staff working across programs and offices. Education described several ways staff share performance information, but according to a review of official grant files and interviews with Education officials, GAO found that staff rarely used PAM to disseminate information about grantee performance, such as notable results achieved in specific grant projects. Additionally, while Education officials said they offer staff training on PAM, they have not developed guidance to clarify use of features related to grantee performance. Federal internal control standards call for pertinent information, such as grantee performance information, to be identified, captured, and distributed in a form and time frame that permits people to perform their duties efficiently. Absent guidance on how to effectively use PAM Module features to share information about grantee performance, Education will likely not be able to achieve the full potential benefits of its grants management system.

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Its G5 Grants Management System

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Abbreviations

Award Notice	Grant Award Notification
Education	U.S. Department of Education
G5	G5 grants management system
Handbook	Education's Handbook for the Discretionary Grant Process
OCFO	Office of the Chief Financial Officer
OESE	Office of Elementary and Secondary Education
OHR	Office of Human Resources
OIG	Office of Inspector General
OII	Office of Innovation and Improvement
OPE	Office of Postsecondary Education
PAM Module	Post-Award Monitoring Module
PDF	portable document format
RMS	Risk Management Service

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April 18, 2017

The Honorable Lamar Alexander
Chairman
Committee on Health, Education, Labor, and Pensions
United States Senate

Dear Mr. Chairman:

The U.S. Department of Education (Education) awards discretionary grants under a number of different statutory authorities for various purposes, such as to support projects to improve student achievement or to expand access to higher education for low-income and first generation students. In the last 10 years, the number and size of Education's discretionary grant awards have increased considerably. In fiscal year 2015, Education obligated more than \$4 billion in awards for over 80 discretionary grant programs and awarded more than 7,000 discretionary grants across the United States. As the number and size of Education's grant awards have increased, GAO and Education's Office of Inspector General (OIG) have reported on Education's grants management and oversight challenges, including challenges related to effectively monitoring grantee performance, improving risk management, and sharing information about grantee performance across Education.¹

In light of these challenges, you asked us to review Education's oversight of its discretionary grant programs and grantees.

This report examines (1) the extent to which Education consistently applied its discretionary grants policies and procedures for monitoring grantees; and (2) the extent to which Education systematically identified and shared across the department information about the performance of discretionary grantees. In addition, we reviewed the ways in which Education hires and trains grant staff, which is included in appendix I.

¹See, for example, GAO, *Race to the Top: Education Could Better Support Grantees and Help Them Address Capacity Challenges*, [GAO-15-295](#) (Washington, D.C.: April 13, 2015); *Grant Monitoring: Department of Education Could Improve Its Processes with Greater Focus on Assessing Risks, Acquiring Financial Skills, and Sharing Information*, [GAO-10-57](#) (Washington, D.C.: Nov. 19, 2009); and Department of Education, Office of Inspector General, *Education's Process to Identify and Monitor High-Risk Grantees*, ED-OIG/I13K002 (Washington, D.C.: March 2012).

To address these objectives, we reviewed three of Education's seven principal offices that award discretionary grants—the Offices of Postsecondary Education (OPE), Elementary and Secondary Education (OESE), and Innovation and Improvement (OII). We selected these offices because they collectively awarded about 87 percent of Education's discretionary grant funds awarded in fiscal year 2015—about \$3.8 billion out of approximately \$4.3 billion—according to our review of the most recently available Education data.²

We also reviewed relevant federal laws, regulations, policy, and guidance as well as agency documentation.³ For instance, we reviewed Education's Handbook for the Discretionary Grant Process (Handbook), which generally establishes the internal policies and procedures for discretionary grant management department-wide.⁴ Additionally, we reviewed Education guidance on its grantee risk assessment process.⁵

Further, to obtain information on how Education officials implemented discretionary grant monitoring policies and procedures in practice, hired and trained grant staff, and shared information about grantee

²We reviewed Education data on discretionary grant awards made from fiscal years 2010 through 2015, the most recent available at the time we did our work.

³In December 2013, the Office of Management and Budget (OMB) consolidated several of its grants management circulars into a single document—the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 78 Fed. Reg. 78,590 (Dec. 26, 2013) (codified as amended at 2 C.F.R. pt. 200). These requirements apply broadly across the federal government to different types of grantees—including state, local, and tribal governments, institutions of higher education, and nonprofit organizations—and different types of grants. The Uniform Guidance is implemented through individual federal agency regulations, including Education regulations. See 79 Fed. Reg. 75,871 (Dec. 19, 2014) and 80 Fed. Reg. 67,261 (Nov. 2, 2015). The Uniform Guidance requirements generally apply to new grant awards and certain continuation awards made on or after December 26, 2014. Grants made before that date, including some of those in the sample we reviewed, would be subject to the previous OMB circulars, as applicable.

⁴According to Education officials, they revised their discretionary grant policies to comply with OMB's Uniform Guidance and issued a new version of the Handbook in 2015. We reviewed the current version of Education's Handbook as well as the prior version that was in effect from January 2009 through September 2015. For reporting purposes, unless otherwise indicated, we refer to the 2015 version of the Handbook. However, because our grant file review included grants that were awarded prior to the issuance of the 2015 Handbook, we ensured that the monitoring requirements we reviewed were included in both versions.

⁵U.S. Department of Education, Risk Management Service, *ED Entity Risk Review Guidance*, (Washington, D.C.: Dec. 2015).

performance across offices, we interviewed officials from our three selected principal offices, including program specialists who most directly interact with grantees. We also interviewed officials from Education's Risk Management Service, Office of the Chief Financial Officer, and Office of Human Resources, who provide guidance and support to principal offices. We compared the information obtained through interviews to Education's Handbook, and also reviewed federal internal control standards⁶ and leading grants management practices, as appropriate.⁷

To determine whether Education consistently applied its grants policies and procedures for monitoring discretionary grantees, we also reviewed a nongeneralizable sample of 75 official grant files.⁸ To select our sample, we first reviewed data Education provided from its G5 grants management system (G5) about all discretionary grant awards made from fiscal years 2010 through 2015, the most recent data available at the time we conducted our review. The data included information specific to each grant award, such as the recipient name, amount awarded, and the award type. It also identified the Education office responsible for the award and if Education awarded the funds as a cooperative agreement. Cooperative agreements entail a substantial level of involvement between the awarding federal agency and the recipient, and comprise a minority of Education's discretionary awards.⁹ For these reasons, we excluded cooperative agreements from our review. Second, using the G5 data, we randomly selected grants from a pool of recipients that received new discretionary awards made in fiscal year 2012. Doing so allowed us to review up to 3 years of grant file monitoring documentation, where

⁶GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

⁷See, for example, Domestic Working Group, *Guide to Opportunities for Improving Grant Accountability* (October 2005), available at <https://www.ignet.gov/content/reports-publications>.

⁸The Handbook requires grant staff to maintain an official grant file for all discretionary grantees. Our review of these files focused specifically on the post-award phase of the grant lifecycle—when Education staff monitor grantees as they implement their projects—rather than on the pre-award phase when Education competitively selects grantees. We focused our review primarily on monitoring documentation that discussed the terms and conditions of the award, and grantees' progress in achieving the aims and objectives of their projects. We did not review Education's fiscal oversight of grantee expenditures.

⁹Both cooperative agreements and grants provide funding to carry out approved federal activities, but a cooperative agreement involves substantial programmatic involvement between the federal agency and the recipient in carrying out the activity contemplated by the federal award. See 31 U.S.C. § 6305.

applicable. We reviewed a total of 75 official grant files—40 from OPE, 25 from OESE, and 10 from OII—that totaled about \$272 million in discretionary grant awards made by Education over the period of our review.¹⁰ Our sample is nongeneralizable and the number of grants we reviewed from each office was in proportion to the total number of grant awards made by each office in fiscal year 2012.

As part of this effort, we also interviewed 9 of the 75 selected grantees to obtain their perspectives on Education’s monitoring of their grant projects. To do so, we randomly selected 3 grantees from each of the three principal offices in our review. We determined that the G5 data are sufficiently reliable for the purposes of this report by reviewing documentation about the G5 system and interviewing agency officials. While the results of our grant file review and grantee interviews are not generalizable, they provide insight into Education’s monitoring of discretionary grantees.

To review each grant file in our sample, using Education’s requirements in the Handbook for the organization and content of official grant files, we developed a data collection instrument to assess whether the files contained documentation that grant staff performed various grantee monitoring activities.¹¹ Where certain key monitoring documents should have been present for each and every grantee—for example, the performance reports grantees are required to submit at the end of each budget period¹²—we determined whether those documents were present in the official file. In other instances, Education requires in its Handbook that grant staff document activities, such as regular telephone contacts, e-mail correspondence, and site visits, as appropriate. In these instances,

¹⁰Our period of review of the selected official grant files generally spanned calendar years 2012 through 2014. However, given the variability in when grant projects begin and end, our review extended into calendar year 2015 in some cases.

¹¹In conducting the grant file review, we considered only those documents Education made available to us in response to our request to review the complete official grant files. We did not attempt to determine whether any of the records might exist elsewhere, as the purpose of this work was to assess the completeness of the official grant files, consistent with the requirements in Education’s Handbook.

¹²A “budget period” is the interval of time into which a grant project period is divided for budgetary purposes, usually 12 months. Unless otherwise indicated, in this report we use the grant terminology and definitions as described in the 2015 Handbook or Education’s non-technical guidance document summarizing its discretionary grant process. See Department of Education, *Grantmaking at ED: Answers to Your Questions About the Discretionary Grants Process*, Washington, D.C., August, 2015.

we confirmed, for example, the absence or presence of routine correspondence in the official files. Two analysts reviewed each file, with the second analyst verifying the first analyst's review.

We conducted this performance audit from September 2015 to April 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

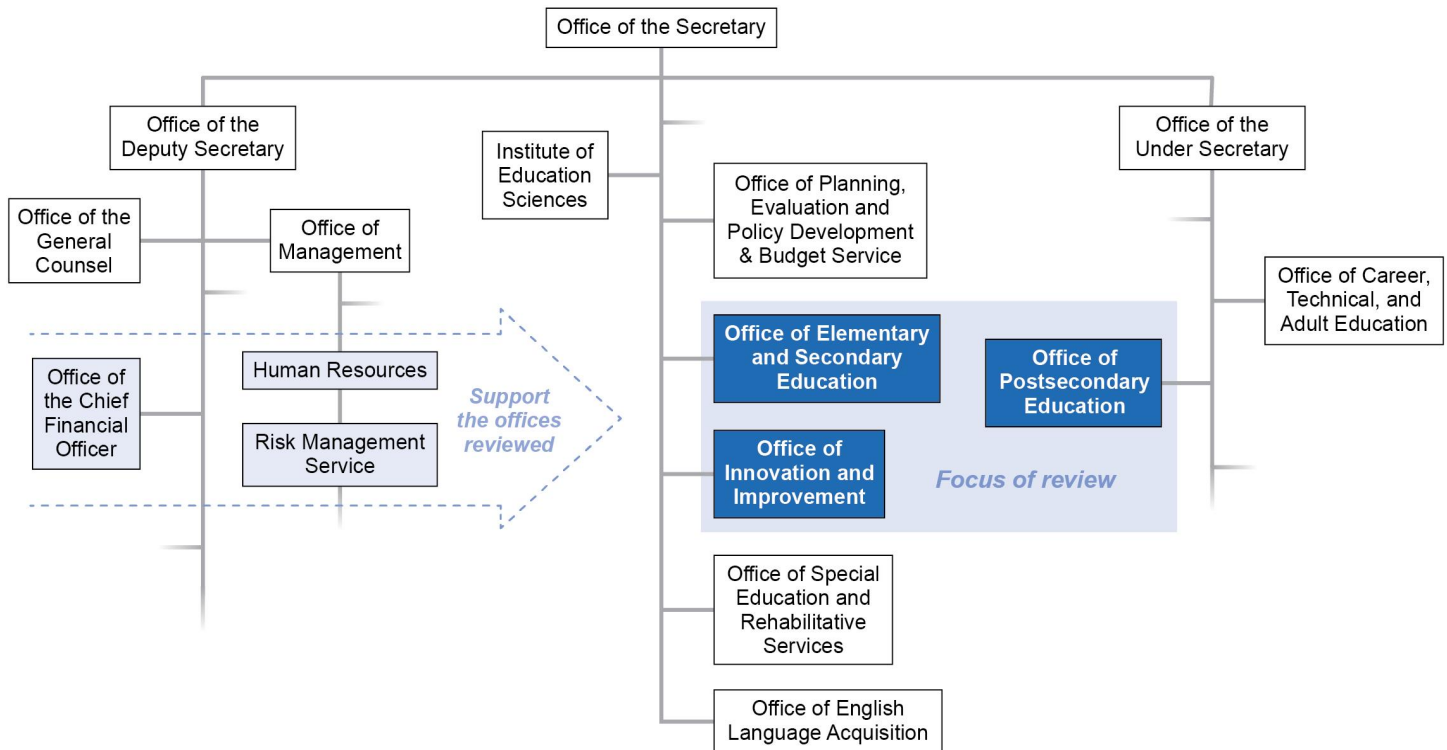
Department of Education

Education has seven principal offices that administer discretionary grants to entities that provide education or education-related services (see fig. 1). These principal offices generally focus on specific areas of education, such as career, technical, and adult education; elementary and secondary education; or postsecondary education. Each principal office has individual program offices responsible for specific grant programs. Program offices have directors, supervisors, and program specialists (referred to in this report as grant staff) responsible for grant administration.

Department-wide offices—the Risk Management Service (RMS), Office of the Chief Financial Officer (OCFO), and Office of Human Resources (OHR)—provide support and guidance to the principal offices. RMS, in particular, is responsible for effectively communicating discretionary grant policies to principal offices and providing guidance to assist them in their efforts to adhere to those policies. Additionally, RMS offers training on discretionary grants to staff across the department. OCFO, among other things, resolves discretionary grant award findings resulting from single audit reports and offers training on financial aspects of grants

administration.¹³ OHR works with principal offices to identify staffing needs and to post job positions, among other responsibilities.

Figure 1: Education Coordinating Structure (Including Offices Selected in GAO’s Review)



Source: GAO analysis of U.S. Department of Education (Education) documentation. | GAO-17-266

Education’s Discretionary Grants

Discretionary grants refer to an award for which the awarding agency has discretion, or choice, in deciding which applicants receive funding.¹⁴

¹³The Single Audit Act, as amended, and as implemented by OMB, generally requires each nonfederal entity that expends a total amount of federal awards equal to or in excess of a specified threshold in a fiscal year to have a single audit. From 2004 to 2014, the threshold was \$500,000. The Uniform Guidance, effective for grantees on December 26, 2014, increased the threshold to \$750,000. Single audits evaluate the use of federal funds and help provide federal agencies with information to fulfill their oversight responsibility for the funds that they award to non-federal entities.

Education generally awards these types of grants through a competitive process.¹⁵ Grant project periods can vary in duration, ranging from less than a year to 5 years.¹⁶ When Education funds grants with project periods longer than a year (referred to in this report as multiyear grants), it generally funds the grants in annual increments called budget periods, usually 12 months. With multiyear grants, grantees are generally eligible to receive funding beyond the initial budget period provided certain conditions are met; for example, Education must determine that a grantee has made substantial progress toward the project's goals and objectives, and Congress must have appropriated sufficient funds, among other conditions.¹⁷ Award amounts can vary widely. For example, in 2012 Education awarded a grantee \$27,315 to help subsidize fees for low-income students registering for Advanced Placement and International Baccalaureate tests, and in the same year, Education awarded another grantee about \$5 million to support professional development for teachers and school administrators. In fiscal year 2015, Education awarded about \$4.3 billion in discretionary grants across its seven principal offices (see table 1).

¹⁴Congress generally creates discretionary grant programs through authorizing statutes and provides funding for the programs through annual appropriations acts. Education may also establish program regulations that set forth how its programs are to be administered and may include criteria for the review of applications. In addition, Education's discretionary grant programs are also governed by applicable Education Department General Administrative Regulations, and OMB's Uniform Guidance (or OMB's previous grants management circulars).

¹⁵Education also awards formula grants. Formula grants are grants that Education is directed by statute to make to grantees, and for which the amount is established by a formula based on criteria in the statute and program regulations. Formula grants were outside the scope of this review.

¹⁶Under 34 C.F.R. § 75.250, Education may fund a project for up to 5 years unless a program statute or regulation provides for a longer project period.

¹⁷34 C.F.R. § 75.253. These awards for subsequent budget periods are called continuation awards. In some cases, Education may award funding for an entire project period (i.e., all budget periods in the grant) at the time the initial award is made, rather than in separate awards for each budget period.

Table 1: Education Discretionary Grant Obligations in Fiscal Year 2015

Principal office	Total obligated amount (rounded to nearest dollar)
Office of Postsecondary Education	2,075,701,737
Office of Innovation and Improvement	935,830,862
Office of Elementary and Secondary Education	780,678,874
Institute of Education Sciences	237,414,981
Office of Special Education and Rehabilitative Services	220,437,318
Office of English Language Acquisition	46,178,402
Office of Career, Technical, and Adult Education	33,779,514
Total	4,330,021,687

Source: GAO analysis of U.S. Department of Education (Education) data. | GAO-17-266

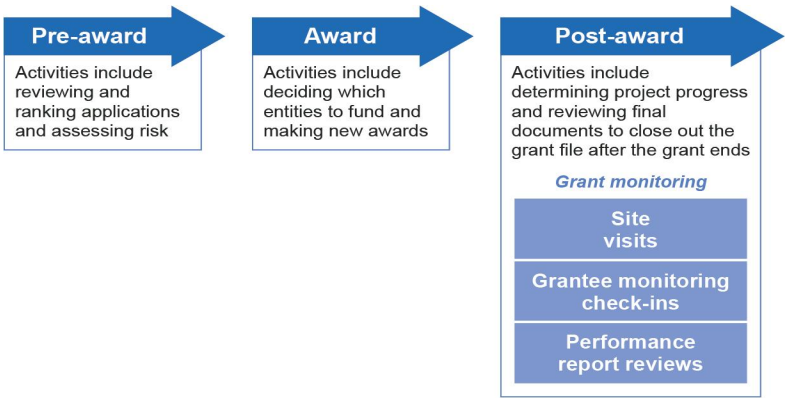
Note: The total obligated amounts shown in this table include new awards, continuation awards, and supplemental awards.

Grant Lifecycle

The lifecycle of a discretionary grant has three general phases: pre-award, award, and post-award (see fig. 2).¹⁸ The Handbook establishes department-wide policies and procedures for each phase. For example, in the award phase, the Handbook describes policies for notifying grantees about their awards.

¹⁸For the purposes of this report, we focused on the post-award phase of a grant's lifecycle. The Education OIG and GAO have reviewed pre-award and award activities. See, for example, Department of Education, Office of Inspector General, *The Office of Elementary and Secondary Education's Process of Awarding Discretionary Grants*, ED-OIG/A03M0002 (Washington, D.C.: Aug. 12, 2013) and GAO, *Education Grants: Promise Neighborhoods Promotes Collaboration but Needs National Evaluation Plan*, [GAO-14-432](#) (Washington, D.C.: May 5, 2014).

Figure 2: The Discretionary Grant Lifecycle

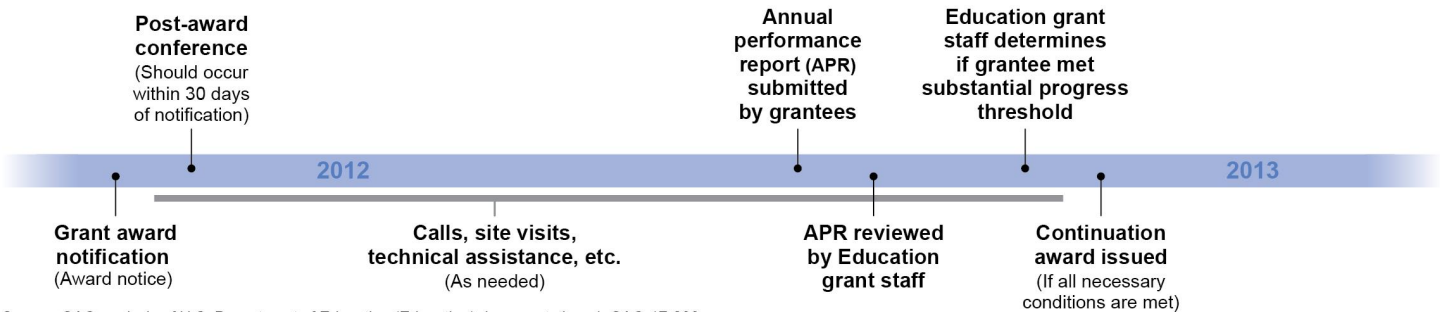


Source: GAO analysis of U.S. Department of Education (Education) documentation. | GAO-17-266

Post-award: Grantee Monitoring Activities

During the post-award phase, the Handbook establishes specific monitoring activities Education grant staff should perform, and requires grant staff to document these activities in the official file they are to keep for each grantee, which may be paper-based or electronic (see fig. 3). For example, all grant files should include the following three key documents: grant award notifications, post-award conference records, and grantee performance reports. As we describe below, the purpose of these documents is to record information on various key monitoring activities.

Figure 3: Key Post-Award Monitoring Activities for Education Multiyear Discretionary Grants



Source: GAO analysis of U.S. Department of Education (Education) documentation. | GAO-17-266

- Grant award notification. According to the Handbook, Education’s grant staff are to send all discretionary grantees a grant award notification (referred to in this report as an award notice) that provides details about the grant, including the amount of the award; the binding

terms and conditions of the grant, including statutory and regulatory requirements; and any specific conditions.¹⁹ For example, as a specific condition, a grantee may be required to seek reimbursements from Education for grant-related expenditures (referred to in the Handbook as “cost reimbursement”), or may be prohibited from proceeding with its project until Education receives satisfactory evidence of acceptable performance. If Education later assigns specific conditions, grant staff are to amend the award notice and resend it to the grantee, according to the Handbook. Additionally, the Handbook specifies that grant staff should save copies of award notices, as well as amended versions, if applicable, to include in the grantee’s official grant file.

- Post-award conference records. According to the Handbook, the post-award conference is the initial discussion between Education’s grant staff responsible for monitoring the grant and the grantee’s project director or other authorized representative. The Handbook specifies that this meeting should take place within 30 days of the award to establish a mutual understanding of the specific outcomes that are expected, and to clarify measures and targets for assessing the project’s progress and results, among other things. This meeting may take place in-person, via telephone or e-mail, or as part of a virtual or in-person conference. Following the discussion, grant staff are to document that a meeting occurred and should also save any related notes from the discussion to the official grant file, according to the Handbook.
- Calls, site visits, technical assistance to grantees (as needed). According to the Handbook, certain day-to-day activities that occur or apply (as needed) to the particular circumstances of a grantee must be documented in the official grant file. These activities include, among other things, routine telephone or e-mail correspondence; reports from a site visit by Education staff; and, if relevant, contracts into which a grantee may have entered as a condition of receiving the grant (e.g., a contract for a rigorous post-grant evaluation of a pilot project). Grant staff can adjust the scope and frequency of these activities using their professional judgment, according to grant staff supervisors. When making these determinations, grant staff may

¹⁹See 34 C.F.R. §§ 75.234-75.235. Education may assign specific conditions under certain circumstances, including those specified in 2 C.F.R. § 200.207, or if the agency determines specific conditions are necessary to protect the federal government’s interest; reduce the risk of noncompliance; or help ensure a grantee is successful in implementing its project, according to the Handbook.

consider various factors, such as the amount awarded; past grantee performance, if applicable; and any reported problems by the grantee or requests for specific assistance.

- Performance reports. Education requires discretionary grantees to submit reports that describe the specific activities they performed during a budget period.²⁰ Education encourages grantees to use a standardized form to submit these reports. Using this form, grantees can describe work and activities completed, as well as progress made toward their project's goals and objectives. Recipients of multiyear discretionary grants must generally submit these reports annually. According to the Handbook, grant staff are to review these reports—along with other information on financial and project management activities—to determine, among other things, if the grantee has made substantial progress in reaching the project's objectives and if continuing the project is in the best interest of the federal government.²¹ Additionally, grant staff must sign and date these reports to indicate their review and save them to the official grant file, according to the Handbook.²²

G5 Grants Management System

Discretionary grant recipients and grant staff are to use Education's G5 web-based grants management system to perform various activities throughout the grant lifecycle. For instance, grantees are to use G5 to withdraw funds from their grant accounts during the post-award phase, and can also use the system to submit required performance reports. G5 is the grant staff's primary tool for providing fiscal oversight of discretionary grantees, according to the Handbook. For instance, using G5, grant staff can monitor the rate at which grantees withdraw funds from their grant accounts to ensure their spending patterns are consistent with the project's approved scope of work and project milestones. Education officials told us it added a Post-Award Monitoring (PAM) Module to G5 in 2013 that allows grant staff to enter information on the

²⁰See 2 C.F.R. § 200.328 and 34 C.F.R. § 75.720(a)(2).

²¹As previously mentioned, continuation funding is to be awarded only if the requirements in 34 C.F.R. § 75.253 are met.

²²The Handbook also allows grant staff to include a note to the official grant file indicating that they have reviewed and approved the required report instead of signing and dating the report itself.

performance of the grantees they monitor to a central location, among other things.

Official Grant Files for About \$21 Million in Selected Discretionary Grants Lacked Complete Documentation of Grantee Performance, and Education Has No Written Grant File Supervisory Review Procedures

Official Grant Files We Reviewed Did Not Consistently Contain Key Monitoring Documentation

The sample of official grant files we reviewed did not consistently contain documentation of certain key required monitoring activities outlined in Education's Handbook. Specifically, almost all—69 of the 75 grant files we reviewed—were incomplete; most were missing at least one award notice, post-award conference record, or grantee performance report, which are all key monitoring documents that should be included in the official files, according to the Handbook.²³ Federal internal control standards call for the clear, prompt, and accurate documentation of internal control and all other significant events, including monitoring activities, and state that this documentation should be readily available for examination.²⁴

More specifically, with respect to grantee performance reports, based on our analysis and the requirements outlined in the Handbook, the 75 official grant files should have contained 179 performance reports. We found 121, which is 58 less than required by the Handbook. In these 58 instances—associated with 54 of the 75 grant files we reviewed—about

²³The monitoring documents we looked for during our grant file review included: (1) award notices, (2) post-award conference records, and (3) grantee performance reports. Based on discussions with Education staff about Handbook requirements and our review of the Handbook grant monitoring requirements and Education data, we determined that our 75 selected grant files should contain: 175 award notices and 179 performance reports—because many of the selected grant files were for multiyear grants and should contain multiple award notices and performance reports—and 75 post-award conference records, according to the Handbook.

²⁴[GAO/AIMD-00-21.3.1](#)

\$21 million in discretionary grant awards lacked complete and correct documentation in the official grant file of the progress and results grantees achieved.²⁵ As a result, and contrary to federal internal control standards, we could not, using the official grant files Education provided to us, verify the existence of documentation that would demonstrate whether these grantees achieved the results for which they received grant funds or made adequate progress that would warrant receiving additional funds.²⁶

In commenting on a draft of this report, Education reiterated its reliance on a variety of safeguards and monitoring procedures (discussed below) to ensure it provides additional funding only to grantees that achieve substantial progress with their grant funds and comply with applicable regulations. Education also stated that it conducted its own review and found all the appropriate performance reports, though some were found outside of the official grant files or in other Education systems, and the agency is therefore confident that no funds were at risk. We note that the focus of our file review was on Education's application of the documentation requirements for official grant files included in its Handbook. Our analysis was not designed or intended to determine whether any discretionary grant funds are "at risk" or were awarded improperly.

Additional required monitoring documentation—describing the terms and conditions of the grant, as well as general expectations of Education's

²⁵The approximately \$21 million in discretionary grant awards that lacked complete and correct documentation is likely higher because two of our selected grants had received a single multiyear grant award, but performance reports covering one or more budget periods had not been included in the official grant file. Because the amount expended by these grantees may have varied by budget period, we could not determine specific amounts associated with the budget periods for which a performance report had not been included in the file. Therefore, we excluded the value of these two grants from the \$21 million calculation because we were not able to determine how much money was associated with the missing documentation.

²⁶About \$17.5 million of this approximately \$21 million consists of initial and continuation awards for multiyear grants whose official grant files did not include the annual performance reports that describe the progress the grantees had achieved over the prior budget period and that inform Education's decision about whether to continue funding the project. The remaining about \$3 million consists of those grants whose files did not include the grantees' final performance reports. These reports describe the results these grantees had achieved with the grant funds. For purposes of this calculation, we added the applicable award amounts for all grant files that were missing an annual or final performance report; we did not include the award amounts for grant files that were missing only an award notice or missing only a post-award conference record.

grant monitoring staff—were also often not included in the official grant files we reviewed. Specifically:

- Grant Award Notifications. Per Education’s Handbook, the 75 official grant files we reviewed should have contained 175 award notices, but we found 132, which was 43 less than required. Because award notices include the binding terms and conditions of the grant during each budget period, including statutory and regulatory requirements, as well as any specific conditions, they are important documents for grant staff to be familiar with and to easily reference as they monitor grantees to ensure they are in full compliance with the terms and conditions of the award.
- Post-award conference records. We found 27 of the 75 records that should have been contained in the official grant files we reviewed—48 less than required by the Handbook. Education states in its publicly available guidance that these discussions are the first step in building a successful partnership between the department and the grantee to help ensure successful project outcomes.²⁷ In the instances where we identified that grant staff did not document in the official grant file that these meetings occurred, we could not, therefore, verify whether grant staff and grantees established a mutual understanding of the specific outcomes Education expects from the grant projects, or clarified measures and targets it will use to assess the grantees’ progress and results.

Regarding day-to-day activities, such as telephone calls with and e-mail correspondence to or from grantees, we generally found evidence that these had been documented in the 75 official grant files we reviewed.

Grant staff supervisors we interviewed told us that missing documentation from the official grant files does not mean monitoring activities did not occur—or that grantees did not submit required documentation such as performance reports. Grant staff supervisors said that grant staffs’ heavy workload sometimes prevents them from saving grantee monitoring documentation to the official grant file in a timely manner. One supervisor noted specifically that grantees may send hard copies of their performance reports in April each year, but that these may not be saved to the official grant file until the following September because of competing demands. Additionally, during the time of our review,

²⁷ Department of Education, *Grantmaking at ED: Answers to Your Questions About the Discretionary Grants Process*, (Washington, D.C., August 2015).

Education officials said they were enhancing G5 and that grant staff were in the process of transitioning from their previous systems. During this transition period, they said remnants of the old systems were used alongside the new system because creating electronic documents proved to be an onerous task, leading to the use of an official grant file and a working file. Going forward, Education stated that there is a need to consolidate to one official grant file within G5.

At the same time, grant staff supervisors said there are various safeguards in place that help prevent continuation awards from being made to grantees that do not demonstrate substantial progress. Specifically, they said grant staff cannot independently decide to make continuation awards. Instead, grant staff must prepare a Continuation Award Memo documenting that they have evaluated the project for substantial progress during the budget period against the project's aims and objectives, and recommend whether Education should continue to fund that project.²⁸ These officials said grant staff are to submit this memo to principal office management for review before a continuation award can be made.²⁹ Education refers to these steps as the slate review process.

Education officials said that these safeguards, as well as others—such as conducting grantee risk and performance reviews—help to ensure that no continuation funds are provided to grantees who fail to comply with grant requirements or who do not show substantial progress.³⁰ Nonetheless, without monitoring documentation, such as grantee performance reports, and saving this documentation to the official grant file, Education cannot readily produce, and we were hence unable to verify, the evidence underpinning the grant staffs' assessment of substantial progress, which informs the department's continued funding of the projects.

²⁸The process of preparing Continuation Award Memos to document that grantees have adequately demonstrated substantial progress is not documented in the Handbook.

²⁹There is no Handbook requirement specifying that grant staff should include these memos in the official grant file.

³⁰According to Education officials, some of these other safeguards include: (1) risk and performance reviews, using Education's Entity Risk Review process and government-wide databases such as the System for Award Management and the Federal Awardee Performance and Integrity Information System; (2) automatic checks and notifications for risk issues in G5, including excessive drawdown and audit findings notifications; and (3) verification by Education staff authorized to obligate and award grant funds that the grantee has submitted required reports and has achieved substantial progress.

Grant Staff Supervisors Did Not Routinely Review All Grant Files We Selected, and Principal Offices Have Not Established Written Procedures to Help Ensure They Do

Grant staff supervisors with whom we spoke said they periodically review official grant files to help ensure staff perform and document key monitoring activities, but we found little evidence within the official grant files we reviewed of this being done. Specifically, grant staff supervisors in our three selected offices said they review a random sample of official grant files twice per year—once at grant staff mid-point evaluations and once at their annual evaluations. The number of files they review varies depending on factors such as the number of staff they manage, the complexity of the grant programs in their portfolio, and the number of awards made as part of each grant program, according to grant staff supervisors. Additionally, they said they can also review individual official grant files at any point as needed. During our review of 75 official grant files, we found two documented instances that showed a grant staff supervisor reviewed a grant file for completeness in terms of ensuring all required documentation was included in the file.

Principal offices have not established written procedures with enough detail for grant staff supervisors to know how frequently to review official grant files nor what, specifically, the review should entail. Grant staff supervisors in our selected principal offices said they rely on the Handbook to guide them as they conduct these reviews, but beyond specifying that grant staff supervisors should routinely review official grant files, the Handbook—issued by RMS—contains few specifics on what these reviews should entail. For instance, it does not establish what portion of official grant files staff supervisors should review, how often these reviews should occur, and whether to document in the official grant file, G5, or anywhere else that the reviews occurred. Federal internal control standards state that entities should provide continuous supervision to provide reasonable assurance that internal control objectives are achieved, and that internal control activities and transactions be clearly documented.³¹

Because the Handbook does not include detailed, written procedures for how grant staff supervisors should review official grant files to ensure grant staff performs and documents required monitoring activities,

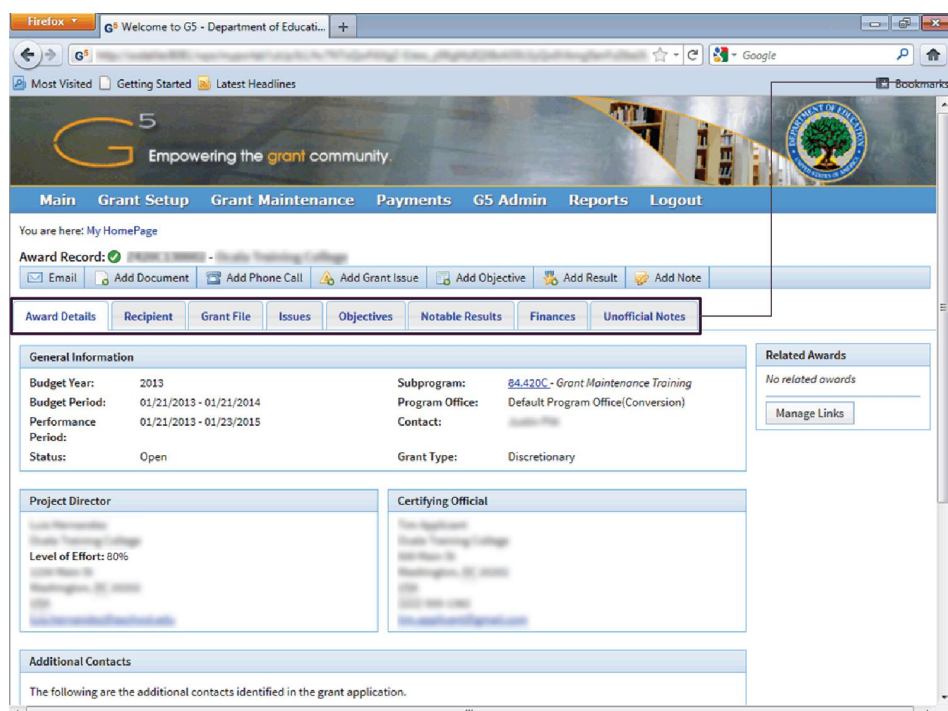
³¹[GAO/AIMD-00-21.3.1](#).

supervisors may not have a clear understanding of what these reviews should entail, including the expected scope and frequency of review. Thoroughly reviewing official grant files is particularly important given our findings that key monitoring documents had not consistently been included in the 75 official grant files we reviewed. Without these monitoring records, Education may not be able to readily demonstrate the results that grantees achieved, or that grantees implemented their projects according to the terms and conditions of the award. Additionally, absent documented monitoring records, when monitoring responsibilities shift from one grant staff person to another—such as when employees retire, resign, or otherwise change positions—the new grant staff person may not have all the information required to continue effectively monitoring those grantees. Written procedures that detail requirements for the supervisory review of official grant files could enhance Education’s ability to hold grant staff supervisors accountable for ensuring their grant staff adhere to the monitoring and documentation requirements and help the department be better positioned to ensure proper stewardship of its federal discretionary grants.

Education Created a Way to Identify and Share Grantee Performance Information Internally, but Has Not Developed Guidance to Help Ensure Its Effective Use by Grant Staff

Education developed features within G5 that allow grant staff to systematically maintain, organize, identify, and share information about grants and grantees in a central location. In 2013, Education spent about \$700,000 to develop the G5 Post-Award Monitoring (PAM) Module, according to officials with whom we spoke. The system consists of eight features, or tabs, grant staff can choose to use when monitoring grantees (see fig. 4). Two of these features, the “Issues” and “Notable Results” tabs, allow grant staff to identify and share across the department performance information about grantees they monitor, according to Education officials. This could include disseminating notable results and lessons learned from the grant projects they monitor or to alert other grant staff of potential performance issues.

Figure 4: Education Post-Award Monitoring (PAM) Module Within Its G5 Grants Management System



Tabs available to grant staff

- **Award Details:** General information about the grant project, such as grantee contact information.
- **Recipient:** General information about the grantee, including information on other U.S. Department of Education grants it has received.
- **Grant File:** Electronic grant file folder where grant staff can save grantee documentation such as grant award notifications, annual performance reports, and correspondence with the grantee.
- **Issues:** Performance-related issues associated with the grant. Grant staff can choose from a menu of prepopulated issues or enter narrative information.
- **Objectives:** A list of project objectives and performance measures associated with the grant.
- **Notable Results:** Grant staff can use this tab to enter narrative information related to notable results, best practices, achievements, or lessons learned associated with the grant.
- **Finances:** Displays detailed financial information for the grant.
- **Unofficial Notes:** Grant staff can use this tab to record general notes or reminders.

Source: GAO analysis of U.S. Department of Education (Education) documentation and interviews with Education officials. | GAO-17-266

Based on our review of official grant files, staff consistently used some, but not all, of the voluntary PAM Module features when monitoring grantees. Specifically, in our review of 61 electronic grant files,³² we found grant staff consistently used four tabs, including the “Finances” and “Award Details” tabs, but they rarely used others, such as the “Objectives,” “Issues,” and “Notable Results” tabs (see table 2).³³ With the “Issues” tab in particular, grant staff noted performance issues in 7 of the 61 electronic grant files we reviewed. In 4 of these 7 grant files, staff indicated that grantees had large available balances remaining at the end of the budget period, which could indicate non-performance or financial mismanagement, according to the Handbook. The remaining 3 files cited

³²Of the 75 Education official grant files we reviewed, 61 were electronic and 14 were paper files. Education officials said grant staff do not generally use the PAM Module for paper-based files, and thus the 14 paper grant files were excluded from this analysis.

³³RMS officials said Education is currently evaluating the usefulness of the “Objectives” tab given that the project objectives and performance measures associated with the grant are supposed to be already included elsewhere in the grant file.

other potential performance challenges, including noncompliance with specific conditions Education had imposed on a grantee, a decision to place a grantee on cost reimbursement, and frequent changes in key grant project personnel.³⁴ In none of the 61 electronic official grant files we reviewed did grant staff enter information in the PAM Module about notable results of specific grant projects they monitored.

Table 2: Use of the Post-Award Monitoring (PAM) Module by Education Grant Staff (Number of grant files that used each tab)

PAM Module Tabs	Office of Postsecondary Education (out of 40 electronic files)	Office of Elementary and Secondary Education (out of 17 electronic files)	Office of Innovation and Improvement (out of 4 electronic files)
Award Details	40	17	4
Recipient	40	17	4
Grant File	40	17	4
Issues	1	4	2
Objectives	0	0	0
Notable Results	0	0	0
Finances	40	17	4

Source: GAO analysis of 61 selected U.S. Department of Education (Education) official grant files. | GAO-17-266

Note: The PAM Module, part of Education's G5 grants management system, has eight tabs in total. We did not review information contained in the "Unofficial Notes" tab as, according to Education officials, this is where grant staff can make informal notes or reminders and is not considered part of the official grant file.

Education does not require staff to use the PAM Module to share information about grantees, and noted that the PAM Module is one of several means available to its staff to capture and share grantee information.³⁵ Education officials stated that due to the lack of consistency in program statutes and regulations regarding grant administration, offices' varying workloads and resources, and their differing rates of transition to electronic record-keeping, the PAM Module tabs are interpreted and implemented in ways that make sense for each office.

³⁴Placing a grantee on cost reimbursement is a specific condition that requires the grantee to submit receipts for expenditures, so that Education releases payment only if it approves these costs, according to the Handbook.

³⁵Education officials provided examples of ways in which information about grantees is shared across offices outside the PAM Module. For instance, within its G5 grants management system, though outside the PAM Module specifically, Education officials said they share information on grantee high-risk designations, suspended or debarred grants, and grants that were closed in non-compliance. Additionally, they said RMS provides all offices Entity Risk Review reports to share up-to-date information about continuing grantees and applicants.

That said, RMS officials told us that the information grant staff enter in the “Issues” and “Notable Results” tabs could be useful to inform their grantee risk assessment process, but also said it is up to principal offices to clarify whether their staff should use these features as they monitor grantees.

One potential benefit of the PAM Module is that it allows RMS to collect data on grantee performance from a central location, according to RMS officials. Currently, they said grantee performance information is primarily contained in annual performance reports, which staff generally saves to individual grant files in a portable document format (PDF). As a result, RMS cannot easily access or aggregate the information to potentially identify wider performance issues or possible best practices, according to officials with whom we spoke. In particular, RMS officials said they would like to use grantee performance information to inform their Entity Risk Review process. Developed in 2010, Entity Risk Review is an analysis tool RMS officials use to provide program offices with information about the risks associated with continuing grantees and applicants. As part of this process, RMS consolidates information, such as details about past grantee performance, if applicable; financial information about the grantee organization; and relevant single audit findings to develop a risk profile for continuing grantees and applicants relative to three risk categories—administrative, financial, and internal controls, which is then shared with principal and program offices, according to RMS officials.³⁶

However, RMS has not taken steps to help ensure that the information grant staff enters in the PAM Module about grantee performance will be useable. Specifically, since the PAM Module was implemented in 2013, RMS officials said grant staff have been inconsistently interpreting key terminology like “issues” and “notable results.” While RMS officials said they offer grant staff training on the PAM Module, due to competing priorities, they have not developed guidance to clarify what information grant staff should enter into the PAM Module related to the “Issues” and “Notable Results” tabs, specifically, nor circumstances under which using the PAM Module might be an effective means to share information. Federal internal control standards state that pertinent information should

³⁶For more information on Education’s Entity Risk Review process, see, for example, IBM Center for the Business of Government, *Risk Management for Grants Administration: A Case Study of the Department of Education* (Washington, D.C., 2015), and Department of Education, Office of Inspector General, *The Department of Education’s Process to Identify and Monitor High-Risk Grantees* ED-OIG/I13K0002 (Washington, D.C.: March 2012).

be identified, captured, and distributed in a form and time frame that permits people to perform their duties efficiently.³⁷ Without guidance to help grant staff enter consistent information about grantee performance across Education's principal and program offices, RMS may not be able to realize the full potential of its grants management system.

Additionally, according to RMS officials, not all offices use the PAM Module because some program offices have not yet fully transitioned from paper-based to electronic grant files. RMS officials said Education is currently moving toward fully electronic grant administration, but it has not established a time frame for when it will complete this transition. Of the three principal offices we reviewed, OPE and OESE officials said they use electronic grant files, whereas OII officials said they still mainly use paper-based files, though they are transitioning to electronic. An OII grant staff member we interviewed noted that the PAM Module may be a good vehicle to share information about grantee performance, but also said OII staff were not familiar with it given their current reliance on paper files.

Conclusions

The Department of Education's more than 80 discretionary grant programs are one of the foundational tools for achieving its mission of increasing student achievement. However, Education's ability to adequately assess the results of its grant monitoring activities, demonstrate good stewardship of its limited resources, and show results grantees achieved—using its billions in discretionary grant funds—may be diminished when it does not routinely ensure that its grant staff review and document in the official grant files the results grantees achieve with federal funds. During our review of 75 official grant files, we could not locate documentation describing the results grantees had achieved with about \$21 million in discretionary grant awards—about 8 percent of the award funds associated with our nongeneralizable sample of 75 files. When these documents are not included in the official grant files, Education cannot readily demonstrate—in the manner called for by federal internal control standards and its own Handbook—that grant funds were expended according to the terms and conditions of the award, including any specific conditions, or what grantees achieved with the funds. Absent detailed written procedures for the supervisory review of

³⁷ [GAO/AIMD-00-21.3.1](#).

official grant files, these issues may persist. By describing in detail what it expects grant staff supervisors to do, Education would be better positioned to ensure proper and consistent stewardship of its discretionary grant funds.

Education invested time and resources to develop features in G5 that allow grant staff to routinely identify and share information about grantee performance as part of their monitoring efforts. As Education continues to move toward agency-wide adoption of its electronic G5 grants administration system, using a centralized approach, such as G5's PAM Module, to gather this information could provide Education opportunities to share information about grantee performance across programs and offices. If grant staff consistently noted performance issues in the PAM Module, such as whether a particular grantee was placed on cost reimbursement, RMS would have a central, easily accessible location from which to incorporate this information into its grantee risk assessment process. By doing so, all program offices would benefit by having the most current information on the risks associated with specific grantees before making new or continuation awards. This is particularly true given that some entities may receive discretionary grants from more than one of Education's principal offices. However, RMS has not developed guidance on the types of information grant staff should enter into the PAM Module related to the "Issues" and "Notable Results" tabs, specifically, nor circumstances under which using the PAM Module might be an effective means to share information. Such guidance may better position Education to achieve the full potential benefits of its grants management system.

Recommendations for Executive Action

To enhance its oversight of discretionary grantee performance, the Secretary of Education should direct RMS to work with principal offices, as appropriate, to:

- Establish and implement detailed written supervisory review procedures for official grant files to provide reasonable assurance that grant staff perform and document key monitoring activities.
- Develop guidance for grant staff on using the PAM Module to share information on grantee performance. Such guidance could clarify expectations about when staff should use the "Issues" and "Notable Results" tabs while monitoring grantees once the transition to

electronic grant files is complete, and clarify the types of information staff should enter about grantee performance.

Agency Comments and Our Evaluation

We provided a draft of this report to Education for review and comment. Their written comments are reproduced in appendix II. In its comments, Education substantially agreed with both of our recommendations and provided additional technical comments and clarifications, which we have incorporated, as appropriate. Among other things, Education reported that it will (1) establish a standard operating procedure for grant file reviews, including a protocol for the review of these files to ensure that monitoring efforts are documented appropriately; and (2) reinforce through grant administration trainings the importance of sharing grantee performance information agency-wide, including in the PAM Module.

In commenting on our finding about the extent to which grant staff consistently applied discretionary grant monitoring policies, Education focused much of its attention on the 58 performance reports we determined were missing from the official grant files we reviewed, and which were associated with about \$21 million in discretionary grant awards. Education stated that in every case, it found the performance reports and acknowledged that, contrary to its policies, some were found outside of the official grant files, such as in other Education systems. Hence, Education stated that it believes no federal funds were at risk, in part because it was able to locate the documentation necessary for continuation awards. Because our review focused on the required contents of the official grant file, per Education's requirements contained in its Handbook for the Discretionary Grant Process, we would not have found documentation Education kept elsewhere. We have clarified our report to note that our analyses pertain to the contents of the official grant files we reviewed, and we make no judgment as to whether federal funds were "at risk" or improperly awarded. Education also provided more details on the safeguards described in the draft report that are meant to ensure funding is only provided to grantees that have achieved substantial progress and have complied with applicable regulations; we included these details in the final report, as appropriate.

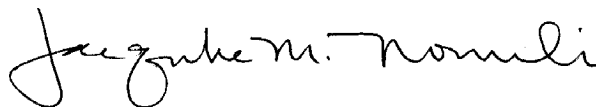
In commenting on our finding about identifying and sharing grantee performance information agency-wide, Education agreed that sharing such information throughout a grant's lifecycle would be beneficial and that a broader approach to such sharing would enhance steps it has

taken. Education also stated that the report does not provide a complete assessment regarding system training and resources for staff use of the PAM Module, and that its Office of the Chief Information Officer had developed, in consultation with RMS and others, a user guide for the PAM Module that provides multiple “guidance tips.” RMS officials also confirmed, as stated in our draft report, that they had not developed guidance clarifying how staff were to use the tabs we discuss—“Notable Results” and “Issues.” Though we were unable to obtain a copy of the user guide after several requests during the course of our review, we are pleased that Education reports that one exists. As stated in our report, establishing a common understanding of when to use these tabs and the kinds of information to enter in them could help to ensure that the information staff enter in the PAM Module about grantee performance will be usable by RMS or other Education offices. We also recognize that staff need flexibility to interpret grantee performance terminology within the context of the particular grant programs they oversee. Because the intent of the related recommendation on developing guidance is meant to increase Education’s ability to share and use grantee performance information, we have clarified the report language and recommendation accordingly.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees, the Secretary of Education, and other interested parties. In addition, the report will be available at no charge on GAO’s web site at <http://www.gao.gov>.

If you or your staff should have any questions about this report, please contact me at (617) 788-0580 or nowickij@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in app. III.

Sincerely yours,



Jacqueline M. Nowicki
Director, Education, Workforce,
and Income Security Issues

Appendix I: Education's Grant Staff Hiring Processes and Training

As part of our review, we discussed Education's processes for hiring and training staff with Office of Human Resources (OHR) and principal office officials. Education last issued a hiring plan in 2009 that outlined specific hiring goals and related initiatives, including attracting more diverse candidates using special initiatives, as appropriate, such as the Office of Personnel Management's Pathways Program, to hire entry level staff. The Pathways Program is a streamlined developmental program meant to encourage careers in federal service by offering meaningful training and career development for students and recent graduates.¹ These programs can reduce the time it takes to recruit and hire staff, according to OHR officials. OHR officials said they are currently reviewing the effectiveness of Education's strategy to recruit, hire, and retain staff—including grant staff—and plan to issue an updated hiring plan in late 2017. As part of this review, OHR officials said they will assess Education's efforts to recruit diverse candidates, and review the job series that comprise the department's grant workforce to ensure job descriptions match the duties currently being performed by staff in those roles.

Education's current job series for grant staff identifies specific skills grant staff need to manage discretionary grants, and Education offers training aimed at helping staff perform these duties effectively. The skills needed to manage discretionary grants according to Education officials include, for example, (1) knowledge of education theories, principles, processes, and practices; (2) proficiency in application of fact-finding and investigative techniques; (3) analytical ability; (4) oral and written communication; (5) development of presentations and reports; and (6) knowledge of specific program and grant information. Education officials said they aim to hire staff with these skills and then train them on the specifics of grants management through mentoring and on-boarding programs, as well as on-the-job and optional training.

¹The Pathways Program, which began in 2010, has three components: 1) an Internship Program; 2) a Recent Graduate Program; and 3) the Presidential Management Fellows Program. For more information on the Pathways Program, see <https://www.usajobs.gov/Help/working-in-government/unique-hiring-paths/students/>.

Officials from our three selected principal offices said they all have established mentoring or on-boarding programs for new grant staff. In fiscal year 2012, Education began offering an optional foundational curriculum of grant management courses that, upon completion, lead to a grant management certificate, according to RMS officials. These officials said the curriculum consists of eight courses (delivered over 15 nonconsecutive days) covering topics such as grants monitoring, financial principles, ethics, and administrative requirements, among other things. They said the program is offered each year to cohorts of about 35 grant staff from across the department, and that since its inception, 228 of the department's roughly 656 grant staff members had completed it. Grant staff can also choose to take a variety of other training opportunities that are offered department-wide or by principal offices on topics such as cost analysis and budget review.

According to RMS officials, only certain grant staff are required to receive grant specific training, which is delivered in the form of an annual briefing. Specifically, this briefing is intended for those employees holding a discretionary grant license from RMS, which allows them to obligate and award grant funds. RMS officials said the annual briefing is designed to provide license holders an update on legislative and regulatory developments that affect the agency's grant administration policies. The briefing also offers license holders an opportunity to share best practices, common concerns, and recommendations on how to improve the grant process.

Appendix II: Comments from the U.S. Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE DEPUTY SECRETARY

March 29, 2017

Ms. Jacqueline M. Nowicki
Director, Education, Workforce,
and Income Security Issues
Government Accountability Office
Washington, DC 20548

Dear Ms. Nowicki:

Thank you for the opportunity to review the draft Government Accountability Office (GAO) report to the Chairman of the Senate Committee on Health, Education, Labor, and Pensions. This report, titled, *Discretionary Grants: Education Needs to Improve Its Oversight of Grants Monitoring* (GAO-17-266), sets out your findings about the oversight of U.S. Department of Education (ED) discretionary grants, particularly the extent to which ED: (1) consistently applied discretionary grant monitoring policies; and (2) identified and shared across ED information about the performance of discretionary grantees.

ED manages both discretionary and formula grants totaling an estimated \$34 billion. While the numbers of discretionary grants and formula grants awarded are nearly even, discretionary grants are much smaller in size and make up only an estimated 12 percent of overall ED funding. Nevertheless, discretionary grants are a significant part of ED's work, and we strive to administer these grants in a fair and objective manner, in which we hold grantees fully accountable for expending funds properly and in a manner consistent with ED requirements and the projected results set forth in approved applications.

We appreciate GAO's audit work and the findings and recommendations you made. While we do not agree with all of the findings, we agree that we can continue to improve our record-keeping and filing procedures so they are consistent across all programs, including the use of the Post-Award Monitoring (PAM) module that GAO reviewed. It is important to note that PAM, a module in our Grant Management System (G5), is not the only tool ED uses for post-award management of grants and is being used by program offices to the extent it is efficient to do so. We believe that the draft report does not provide a complete picture of the files we use in administering grants in an appropriate manner, and we provide important responses in our enclosed technical comments. We believe that in every case, ED had the documentation necessary to make continuation awards, as documents are in place within the program office even when not filed consistently in the official grant file. Hence, no funds were at risk. But we welcome the recommendations for improvements we are already making to maintain records in

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an appropriate manner to facilitate an effective audit, as a result of the lessons we are learning from this audit work and other work we are doing.

At the same time, ED leadership is confident that the monitoring procedures in place at the program level ensure that grantees are performing and making progress toward their program goals consistent with their applications and that documents are in place within the program office. As GAO describes in the draft report, ED has many established safeguards to ensure funding is only provided to grantees that have achieved substantial progress and complied with applicable regulations. These established safeguards include, but are not limited to: risk and performance reviews; G5 with its automatic checks for required reports and notifications for risk; a slate review prior to making continuation awards, including a review of annual performance reports, to ensure all grantees are performing; and verification by the license holder that the grantee has submitted required reports and meets the requirements under 34 CFR 75.253.

As GAO discusses, the PAM module is one of several tools available for program offices to use for performance monitoring. We expect that use of the PAM module will increase as ED completes its transition to having all official grant files electronically maintained in G5. The report does not provide a complete assessment regarding system training and resources for staff use of the PAM module. The Office of the Chief Information Officer (OCIO), as the owner of G5 and developer of the PAM module, is responsible for ED staffs' technical knowledge of the module and for providing a user guide to assist users' understanding and navigation of the module. OCIO offers staff training for the PAM module on a monthly basis. Furthermore, a system user guide developed by OCIO in collaboration with the Risk Management Service (RMS) exists and provides definitions and multiple "Guidance Tips."

ED also has standard definitions in policy and guidance which is documented in the Handbook for the Discretionary Grants Process (Handbook). OCIO and RMS collaborated on the development of the PAM module to ensure consistency with terminology and policies.

RECOMMENDATIONS FOR EXECUTIVE ACTION

The following provides our specific responses to the two recommendations.

Recommendation 1: Establish and implement detailed written supervisory review procedures for grant files to provide reasonable assurance that grant staff perform and document key monitoring activities.

Response: We agree with the goal of this recommendation. We plan to implement a requirement for each grant-making Principal Office (PO) to establish a Standard Operating Procedure (SOP) for grant file reviews. The Handbook establishes a monitoring framework that supports risk mitigation and a results-oriented approach to program management, with a focus on technical assistance, accountability, and successful performance outcomes. ED's program officials develop monitoring and technical assistance plans for each grant program to serve as a standard and guide for monitoring grants in the program. We agree that it is equally important for program officials to implement a protocol for the review of grant files for assurance that staffs' monitoring efforts are documented appropriately. ED will take steps to establish SOPs at the PO level to cover program office grant file reviews and to correct any deficiencies identified.

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Recommendation 2: Develop guidance for grant staff on using the PAM module to share information on grantee performance. Such guidance could, for example, clarify expectations about when staff should use the “Issues” and “Notable Results” tabs while monitoring grantees once the transition to electronic grant files is complete, and establish common language clarifying the types of information staff should enter about grantee performance.

Response: ED agrees with GAO’s concept. We agree that sharing information about an applicant or grantee is beneficial throughout a grant’s lifecycle. We also agree that a broader systemic approach to sharing information on grantee performance would enhance the steps we have already taken. The PAM module is one of several tools currently available to program offices. Information sharing was not the original intent of the module. Its primary function has been to maintain and organize monitoring information. However, ED agrees that the PAM module will contribute to our existing information sharing tools.

ED uses a variety of internal tools as well as established government-wide systems to share and monitor grantee performance. For example, G5 allows us to compare information across programs about specific applicants or grantees, particularly if either is considered “high-risk.” We also use Entity Risk Reviews to share grantee performance information with program office staffs as they conduct risk reviews prior to new or continuation awards. Finally, the Federal Awardee Performance and Integrity Information System and the System for Award Management are used in applicant and grantee performance checks prior to making new or noncompeting continuation awards. The PAM module is an evolving tool that will support sharing of grantee performance information at ED.

Until such time as G5’s electronic grant administration processes are utilized universally at ED, RMS, in its various grant administration trainings, will reinforce the importance of sharing grantees’ performance information.

CONCLUSION

Thank you for the opportunity to provide a written response to the draft report. We encourage GAO to consider the information provided in this response when preparing its final report. As indicated, we will use the information in this report to continue to improve ED’s oversight of discretionary grants monitoring.

Sincerely,



Joseph C. Conaty,
Delegated the Duties and Functions
of the Deputy Secretary

Enclosure

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Jacqueline M. Nowicki (617) 788-0580 or NowickiJ@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Bill MacBlane (Assistant Director), Justin Dunleavy (Analyst-In-Charge), Robin Marion, and Flavia Bleahu made key contributions to this report. Also contributing to this report were James Bennett, Deborah Bland, Mindy Bowman, Amber Yancey-Carroll, David Chrisinger, Sarah Cornetto, Aimee Elivert, Kelsey Kennedy, Amy Moran Lowe, Monica Savoy, and Amy Sweet.

Appendix IV: Accessible Data

Agency Comment Letter

Text of Appendix II: Comments from the U.S. Department of Education

Page 1

March 29, 2017

Ms. Jacqueline M. Nowicki Director, Education, Workforce, and Income Security Issues Government Accountability Office Washington, DC 20548

Dear Ms. Nowicki:

Thank you for the opportunity to review the draft Government Accountability Office (GAO) report to the Chairman of the Senate Committee on Health, Education, Labor, and Pensions. This report, titled, Discretionary Grants: Education Needs to Improve Its Oversight of Grants Monitoring (GAO-17-266), sets out your findings about the oversight of U.S. Department of Education (ED) discretionary grants, particularly the extent to which ED: (1) consistently applied discretionary grant monitoring policies; and (2) identified and shared across ED information about the performance of discretionary grantees.

ED manages both discretionary and formula grants totaling an estimated \$34 billion. While the numbers of discretionary grants and formula grants awarded are nearly even, discretionary grants are much smaller in size and make up only an estimated 12 percent of overall ED funding. Nevertheless, discretionary grants are a significant part of ED's work, and we strive to administer these grants in a fair and objective manner, in which we hold grantees fully accountable for expending funds properly and in a manner consistent with ED requirements and the projected results set forth in approved applications.

We appreciate GAO's audit work and the findings and recommendations you made. While we do not agree with all of the findings, we agree that we can continue to improve our record-keeping and filing procedures so

they are consistent across all programs, including the use of the Post-Award Monitoring (PAM) module that GAO reviewed. It is important to note that PAM, a module in our Grant Management System (G5), is not the only tool ED uses for post-award management of grants and is being used by program offices to the extent it is efficient to do so. We believe that the draft report does not provide a complete picture of the files we use in administering grants in an appropriate manner, and we provide important responses in our enclosed technical comments. We believe that in every case, ED had the documentation necessary to make continuation awards, as documents are in place within the program office even when not filed consistently in the official grant file. Hence, no funds were at risk. But we welcome the recommendations for improvements we are already making to maintain records in

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an appropriate manner to facilitate an effective audit, as a result of the lessons we are learning from this audit work and other work we are doing.

At the same time, ED leadership is confident that the monitoring procedures in place at the program level ensure that grantees are performing and making progress toward their program goals consistent with their applications and that documents are in place within the program office. As GAO describes in the draft report, ED has many established safeguards to ensure funding is only provided to grantees that have achieved substantial progress and complied with applicable regulations. These established safeguards include, but are not limited to: risk and performance reviews; GS with its automatic checks for required reports and notifications for risk; a slate review prior to making continuation awards, including a review of annual performance reports, to ensure all grantees are performing; and verification by the license holder that the grantee has submitted required reports and meets the requirements under 34 CFR 7S.2S3.

As GAO discusses, the PAM module is one of several tools available for program offices to use for performance monitoring. We expect that use of the PAM module will increase as ED completes its transition to having all official grant files electronically maintained in GS.

The report does not provide a complete assessment regarding system training and resources for staff use of the PAM module. The Office of the Chief Information Officer (OCIO), as the owner of GS and developer of the PAM module, is responsible for ED staffs' technical knowledge of the

module and for providing a user guide to assist users' understanding and navigation of the module. OCIO offers staff training for the PAM module on a monthly basis. Furthermore, a system user guide developed by OCIO in collaboration with the Risk Management Service (RMS) exists and provides definitions and multiple "Guidance Tips."

ED also has standard definitions in policy and guidance which is documented in the Handbook for the Discretionary Grants Process (Handbook). OCIO and RMS collaborated on the development of the PAM module to ensure consistency with terminology and policies.

RECOMMENDATIONS FOR EXECUTIVE ACTION

The following provides our specific responses to the two recommendations .

Recommendation 1:

Establish and implement detailed written supervisory review procedures for grant files to provide reasonable assurance that grant staff perform and document key monitoring activities.

Response:

We agree with the goal of this recommendation . We plan to implement a requirement for each grant-making Principal Office (PO) to establish a Standard Operating Procedure (SOP) for grant file reviews. The Handbook establishes a monitoring framework that supports risk mitigation and a results-oriented approach to program management , with a focus on technical assistance, accountability, and successful performance outcomes. ED's program officials develop monitoring and technical assistance plans for each grant program to serve as a standard and guide for monitoring grants in the program . We agree that it is equally important for program officials to implement a protocol for the review of grant files for assurance that staffs' monitoring efforts are documented appropriately. ED will take steps to establish SOPs at the PO level to cover program office grant file reviews and to correct any deficiencies identified .

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Recommendation 2: Develop guidance for grant staff on using the PAM module to share information on grantee performance. Such guidance

could, for example, clarify expectations about when staff should use the "Issues" and "Notable Results" tabs while monitoring grantees once the transition to electronic grant files is complete, and establish common language clarifying the types of information staff should enter about grantee performance .

Response:

ED agrees with GAO's concept. We agree that sharing information about an applicant or grantee is beneficial throughout a grant's lifecycle. We also agree that a broader systemic approach to sharing information on grantee performance would enhance the steps we have already taken. The PAM module is one of several tools currently available to program offices. Information sharing was not the original intent of the module. Its primary function has been to maintain and organize monitoring information. However, ED agrees that the PAM module will contribute to our existing information sharing tools.

ED uses a variety of internal tools as well as established government-wide systems to share and monitor grantee performance. For example, 05 allows us to compare information across programs about specific applicants or grantees, particularly if either is considered "high-risk." We also use Entity Risk Reviews to share grantee performance information with program office staffs as they conduct risk reviews prior to new or continuation awards. Finally, the Federal Awardee Performance and Integrity Information System and the System for Award Management are used in applicant and grantee performance checks prior to making new or noncompeting continuation awards. The PAM module is an evolving tool that will support sharing of grantee performance information at ED.

Until such time as G5's electronic grant administration processes are utilized universally at ED, RMS, in its various grant administration trainings, will reinforce the importance of sharing grantees ' performance information.

CONCLUSION

Thank you for the opportunity to provide a written response to the draft report. We encourage GAO to consider the information provided in this response when preparing its final report. As indicated, we will use the information in this report to continue to improve ED's oversight of discretionary grants monitoring .

Joseph C. Conaty,

Delegated the Duties and Functions of the Deputy Secretary

Enclosure

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