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General Accounting Office
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**Health, Education, and
Human Services Division**

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The Honorable Richard K. Arme
Majority Leader
House of Representatives

The Honorable John R. Kasich
Chairman, Committee on the Budget
House of Representatives

The Honorable Dan Burton
Chairman, Committee on
Government Reform and Oversight
House of Representatives

The Honorable Bob Livingston
Chairman, Committee on Appropriations
House of Representatives

Subject: The Results Act: Observations on the Department of Education's
June 1997 Draft Strategic Plan

On June 12, 1997, you asked us to review the draft strategic plans submitted by the cabinet departments and selected major agencies for consultation with the Congress as required by the Government Performance and Results Act of 1993 (the Results Act). This letter is our response to that request concerning the Department of Education.

**Objectives, Scope,
and Methodology**

Our overall objective was to review and evaluate the latest available version of the Department's draft strategic plan for fiscal years 1998-2002. As you requested, we (1) reviewed the draft plan to determine whether it complies with the Results Act's requirements and assessed its strengths and weaknesses; (2) described the Department's key statutory authorities and how they are related to the mission and goals in the strategic plan; (3) identified the Department's programs, activities, and functions that are crosscutting in that they are similar to or related to goals, activities, or functions of other agencies and the extent to which the plan reflects interagency coordination; (4) discussed the extent to which the Department addresses major management challenges in the plan; and (5) discussed the Department's capacity to provide reliable information about performance.

We obtained the June 17, 1997, draft strategic plan that the Department provided the House of Representatives congressional staff team working with the agency. As agreed with your offices, our assessment of the Department's draft plan was generally based on our knowledge of the Department's operations and programs, our numerous reviews of the Department, and other existing information available at the time of our assessment. Specifically, the criterion we used to determine whether the Department's draft strategic plan complies with the requirements of the Results Act was the Results Act itself, supplemented by the Office of Management and Budget's (OMB) guidance on developing the plans (Circular A-11, part 2). To make judgments about the overall quality of the plan and its components, we used our May 1997 guidance for congressional review of the plans (GAO/GGD-10.1.16) as a tool. To determine whether the plan contains information on interagency coordination, and to address management problems we had previously identified, we relied on our general knowledge of the Department's operations and programs and the results of our previous reports. A list of our major products related to Department operations and programs appears at the end of this letter.

It is important to recognize that the Department's final strategic plan is not due to the Congress and OMB until September 30, 1997. Furthermore, in passing the Results Act, the Congress anticipated that several planning cycles might be needed to perfect the process of developing a strategic plan and that the plan would continually be refined. Thus, our comments reflect a "snapshot" of the status of the plan at this time. We recognize that developing a strategic plan is a dynamic process and that the Department is continuing work to revise the draft with input from OMB, congressional staff, and other stakeholders.

Background

Created in 1980, the Department administers approximately 200 programs and supports activities that involve two major kinds of educational institutions: (1) elementary and secondary schools and (2) postsecondary institutions. With a staff of about 4,600 in fiscal year 1997 and a budget of about \$29 billion, the Department—in partnership with other federal, state, and local entities—manages the federal investment in education and leads the nation's long-term effort to improve the quality of education. Specifically, the Department awards grants to education agencies and institutions to strengthen teaching and learning; makes student loans and grants available to students and their families to help pay the costs of postsecondary education; monitors and enforces civil rights to ensure that the nation's education system is accessible and fair for all students;

supports education research, development, evaluation, and information dissemination; and provides leadership in support of national educational priorities.

The Department prepared a strategic plan in 1994 and, on the basis of its discussions with many internal and several external parties, has revised this plan to reflect the requirements of the Results Act. The Results Act requires agency strategic plans to include the following six key elements:

- a comprehensive mission statement covering the major functions and operations of the agency,
- a description of general goals and objectives for the major functions and operations of the agency,
- a discussion of how these goals and objectives will be achieved and the resources needed,
- a description of the relationship between performance goals in the annual performance plan and general goals and objectives in the strategic plan,
- a discussion of key factors external to the agency that could affect significantly the achievement of the general goals and objectives, and
- a description of program evaluations used to develop the plan and a schedule for future evaluations.

The Results Act is aimed at improving program performance. It requires that federal agencies consult with the Congress and other stakeholders in developing their strategic plans. It also requires that agencies establish long-term strategic goals as well as annual goals that are linked to them. These annual goals are to appear in a performance plan that the agencies must prepare each year and submit to the Congress beginning in February 1998. Agencies must then measure their performance against the goals they have set and report publicly, in subsequent years, on how well they are doing. In addition to ongoing performance monitoring, agencies are expected to perform discrete evaluation studies of their programs and to use information obtained from these evaluations to improve their programs.

Results in Brief

Overall, the Department's draft plan is a useful document and includes almost all the elements required by the Results Act. The plan's long-term goals and objectives are succinct and logically linked to its mission statement. Further, the quality of the goals and objectives reflects the Department's thoughtful deliberation in its efforts to comply with the Results Act. Moreover, the Department's draft strategic plan includes

information that the agency will use to develop its annual performance plan. Although this information was not required, it illustrates the Department's preliminary thinking on performance measures and targets. In addition, the draft strategic plan addresses in some form all of the Department's major statutory responsibilities. (See encl. I.)

Our review of the Department's draft plan indicates, however, that the plan could benefit from more information, clarity, and context in some of its components. Specifically, the plan should include an explanation of the relationship between its long-term goals and objectives and its annual performance goals as well as a complete description and schedule of program evaluations in accordance with the Results Act. The plan could also better address the Department's major statutory responsibilities. For example, the plan's long-term goals and objectives do not address the Department's responsibilities for enforcing and monitoring civil rights related to education—an activity identified by the Department as a key agency function. In addition, the narrative supporting the Department's mission statement does not address the Department's major statutory responsibilities for basic education for adults, vocational rehabilitation, education of individuals with disabilities, or school-to-work opportunities. The Department's plan would be improved if it provided a context for stakeholders by discussing in more detail the management challenges the Department faces, since such problems could affect its ability to fulfill certain goals. On the basis of our past work, we believe that the Department does not have the data systems necessary to implement two of its objectives related to ensuring sound information technology investments and financial integrity.

The Department's Draft Strategic Plan Contains Most Elements Required by the Results Act

Overall, the Department's draft plan generally complies with the Results Act. The plan includes all but one of the six elements required by the Results Act—it does not discuss how the agency's long-term goals and objectives will be related to its annual performance goals. Although the plan presents a logical and fairly complete description of how the Department intends to achieve its mission, a few areas in the draft plan could be improved.

The basic framework for the Department's strategic plan is provided by its mission, goals, and objectives as shown in figure 1. Following is our analysis of each of the plan's major components.

Figure 1: U.S. Department of Education Framework for Strategic Plan Goals and Objectives as of June 17, 1997

U.S. Department of Education Framework of Strategic Plan Goals and Objectives			
Mission: To ensure equal access to education and to promote educational excellence throughout the nation.			
Goal 1. Help all students reach challenging academic standards.	Goal 2. Build a solid foundation for learning.	Goal 3. Ensure access to postsecondary education and lifelong learning.	Goal 4. Make ED a high- performance organization by focusing on results, service quality, and customer satisfaction.
Objectives 1.1 States develop and implement challenging standards and assessments for all students in the core academic subjects. 1.2 Every state has a school-to-work system that increases student achievement and broadens career opportunities for all. 1.3 Schools are safe, disciplined, and drug-free. 1.4 A talented and dedicated teacher is in every classroom in America. 1.5 Families and communities are fully involved with schools and education. 1.6 Public school choice supports flexibility and family-community concerns. 1.7 Schools use advanced technology for all students and teachers to improve education.	Objectives 2.1 All children enter school ready to learn. 2.2 Every child reads independently by the end of the third grade. 2.3 Every eighth grader masters challenging mathematics, including the foundations of algebra and geometry. 2.4 Special populations receive appropriate services and assessments consistent with high standards.	Objectives 3.1 Postsecondary education is affordable for all Americans. 3.2 Students receive the information and support services they need to prepare for and complete postsecondary education. 3.3 All adults can strengthen their skills and improve their earning power throughout their lives.	Objectives 4.1 Our customers receive fast, seamless service and dissemination of high-quality information and products. 4.2 Our partners have the support and flexibility they need without diminishing accountability for results. 4.3 An up-to-date knowledge base is available from education research to support education reform and equity. 4.4 Our information technology investments are sound and used to improve impact and efficiency. 4.5 The Department is a learning organization with high-performing employees. 4.6 Management of our programs and services ensures financial integrity. 4.7 All levels of the agency meet the Results Act goal to become fully performance-driven.

Mission Statement

According to OMB Circular A-11, the mission statement in a strategic plan should be brief, defining the basic purpose of the agency, with particular focus on its core programs and activities. We have found that high-quality mission statements often explain why the agency exists, what it does, and how it performs its work.

The Department's stated mission in its strategic plan is "to ensure equal access to education and to promote educational excellence throughout the nation." The Department's mission statement clearly and briefly explains why the agency exists and, in conjunction with supporting narrative, explains what the agency does and how it performs its work. For example, the plan states that the Department's key functions include providing education leadership, financing, and information as well as access to a fair education system through the enforcement and monitoring of civil rights. The supporting narrative also emphasizes the Department's partnerships with individuals and public and private entities to fulfill its mission. However, the mission statement with its supporting narrative does not address all of the Department's major statutory responsibilities as required by the Results Act. A more complete discussion of this issue appears later in this letter.

Goals and Objectives

The Department's draft strategic plan contains the following four goals:

1. Help all students reach challenging academic standards.
2. Build a solid foundation for learning.
3. Ensure access to postsecondary education and lifelong learning.
4. Make the Department a high-performance organization by focusing on results, service quality, and customer satisfaction.

These four broad goals are a positive attempt to define results that the Department expects to achieve from most of its major activities. The first three goals generally address the Department's mission-related functions, the last one indicates a desire to institutionalize good management practices, and all four appear to be logically related to the Department's mission.

Overall, the objectives developed to support the goals are generally linked to the goals and are results oriented. Some of the objectives supporting

these goals seem to be ambitious, given the Department's limited sphere of control in the education arena. However, the plan explains that through leadership and leverage the Department works with a host of partners, such as states, schools, and financial institutions, to carry out its mission and effect changes intended to improve the nation's educational system. Thus, even though the Department has little direct control over the conditions that would ensure attainment of its goals, it seems appropriate for the Department to base its performance on achieving broad objectives, such as the four listed below that relate to its first goal—"help all students reach challenging academic standards":

1.3 Schools are safe, disciplined, and drug-free.

1.4 A talented and dedicated teacher is in every classroom in America.

1.5 Families and communities are fully involved with schools and education.

1.7 Schools use advanced technology for all students and teachers to improve education.

Strategies to Achieve Goals and Objectives

Under the Results Act, the plan should include the strategies an agency will use to achieve its goals and objectives. The strategies should briefly describe the operational processes, staff skills, and technologies, as well as the human, capital, information, and other resources needed. OMB Circular A-11 states that this section of an agency's strategic plan should also outline the process for communicating goals and objectives throughout the agency and assigning accountability to managers and staff for the achievement of objectives.

Overall, the Department's draft strategic plan outlines the various strategies needed to achieve its goals and the links between goals and objectives. In the core strategies section following the explanation of each of the Department's objectives, the Department explains how it plans to achieve these objectives and at several points indicates resource needs as required by the Results Act. For example, the Department's draft strategic plan lists five core strategies for ensuring access to postsecondary education (goal 3) through information dissemination and support services (objective 3.2). One of these strategies is providing information on the benefits, academic requirements, and financial costs of higher education to middle-school students, especially those from low-income

families. Another strategy involves the Department's providing incentives and guidance for increased coordination between elementary and secondary schools and postsecondary institutions to ensure that students are ready for college.

The Department identifies some of its resource requirements throughout the plan. Narrative describing the core strategies for several different objectives indicates that, to implement some of its goals and objectives, the Department will need to

- provide employees with the technology to respond effectively to customer requests for information and better manage agency programs,
- redesign Department computer systems,
- develop benchmarks and performance standards in certain program areas to measure performance, and
- train staff in financial management and performance measurement.

The Department's draft strategic plan also does a good job of describing how plan goals will be communicated throughout the agency. At the end of the plan's introduction, the Department states that the draft plan will be a discussion topic at an upcoming Labor/Management Partnership conference. In addition, the Acting Deputy Secretary and Acting Under Secretary will hold meetings with headquarters staff at each of the Department's five buildings in Washington, D.C., and make special arrangements with regional staff to discuss the draft plan. This information and the narrative supporting objective 4.7—to become fully a performance-driven agency—further indicate that the Department intends to involve all levels of the agency (senior leadership, program managers, and line staff) in the development or achievement of plan goals and objectives, which will ensure that the goals and objectives are known and understood within the agency.

In addition, the Department's draft plan outlines the following three strategies for holding managers accountable for achieving objectives: (1) provide a report card on overall agency performance as well as on individual program offices, (2) redesign the agency's performance appraisal system to align employee goals with the overall mission of the Department, and (3) assess whether the redesigned appraisal system is effective in promoting desired employee performance and development.

Relating Long-Term Goals and Objectives to Annual Performance Goals

The Results Act requires agencies to prepare performance plans each fiscal year beginning with plans for the fiscal year 1999 budget. Performance goals and performance indicators in an annual performance plan should be linked to the long-term goals and objectives in the agency's strategic plan. According to OMB Circular A-11, the strategic plan should briefly outline (1) the type, nature, and scope of the performance goals in the annual plan; (2) the relationship between the annual performance goals and the strategic goals; and (3) the relevance and use of annual goals in helping to determine the achievement of the strategic goals.

The Department did not discuss in its draft strategic plan the relationship between its strategic plan goals and those to be included in its annual performance plan but indicated in the draft that this section would be completed once its annual plan has been prepared.

The Department did, however, provide a preview of its annual plan by means of a matrix of performance indicators, data sources, and baseline data for each strategic plan objective supporting its long-term strategic goals. According to the Department, these indicators and data sources will become the basis for its annual performance plan. Although this type of information is not required, it is a positive step toward articulating how the Department will measure its progress.

We recognize that the Department is in the process of developing its annual plan and that the performance indicators listed in its current strategic plan may change. However, we did identify several areas in which we believe the Department could improve its conceptualization and presentation of this information. First, what the Department described as "indicators" were in some instances more like targets, performance objectives, or strategies. For example, indicator 55 is stated in the draft plan as follows:

"Bilingual education and special education resources focus on improving the skills of school staff working with special populations."

This indicator appears to be more a strategy than a performance measure. Further refinement of the Department's indicators could ensure that they are understandable measures of progress toward specific performance goals. Second, the set of indicators related to certain objectives does not seem to fully address the objective, thus making achievement of an objective difficult to determine. For example, to ensure that every state has a school-to-work system that increases student achievement and

broadens career opportunities (objective 1.2), the Department cited only one results-oriented (rather than process-oriented) indicator. This indicator—an increase each year in the percentage of students involved in school-to-work programs who complete high school and begin postsecondary education—does not encompass other desired outcomes, such as employment for those not entering postsecondary education.

Key External Factors

In its draft strategic plan, the Department describes in general the factors outside the agency's program scope and responsibilities that could negatively affect its ability to achieve its strategic goals as required by the Results Act. Although these factors were not explicitly linked to a particular goal in accordance with OMB Circular A-11, the draft plan does describe how certain external factors could affect the various entities and individuals involved in the nation's education system which, in turn, could affect the Department's programs, activities, and resources. For example, the Department's efforts to improve the quality of teachers will, according to its draft plan, depend on the willingness of school systems to invest in staff professional development over the long term. Similarly, a decline in state and local school tax revenue could affect the ability of local school districts to serve growing school enrollments and implement needed education reforms.

This section of the Department's plan could be strengthened by including a brief discussion of actions the Department could take to mitigate the external factors that could possibly affect achievement of its agency goals. For example, the Department could describe how it can use its leadership to encourage employers to participate in school-to-work partnerships. It could also outline any information campaigns or program incentives that may help to change some of the attitudes and behaviors the plan cites as external factors.

Program Evaluations

To comply with the Results Act, agencies are required to include in their strategic plans a description of the program evaluations used to establish or revise their long-term goals and objectives and a schedule for future evaluations. The Department's plan did not completely address this element. The Department states in the plan that it will provide detailed descriptions of supporting evaluations once it has consulted with the Congress, completed the strategic plan, and agreed on performance indicators.

The draft plan indicates the Department's commitment to using evaluations as a basis for its results-based activities. The draft lists evaluations and strategies that the Department intends to use to develop sound performance measures, such as the National Evaluation of the School-to-Work Program and customer surveys supporting an evaluation of one of the federal student loan programs. According to the draft, the Department's Planning and Evaluation Service is coordinating agency evaluation activities, and the Office of the Inspector General (OIG) plans to conduct reviews of the quality and reliability of the Department's performance measures. All this information will be useful to the stakeholders and congressional teams who will review the Department's plan. However, the Department's strategic plan does not describe the evaluations. To fulfill the Results Act requirements for this element, OMB Circular A-11 requires the plan to (1) identify specifically evaluations and studies that are ongoing and those that are being planned, (2) describe each evaluation used to develop the plan, and (3) provide a schedule for future program evaluations.

The Department Addresses All of Its Major Statutory Responsibilities in Its Draft Strategic Plan

The Department's strategic plan addresses in some way all of its major statutory responsibilities and is consistent with the relevant statutes. The Department's civil rights enforcement and monitoring are reflected in the mission statement but not in the long-term goals or objectives; several other major functions are reflected in the objectives supporting the goals but are not clearly outlined in the mission statement. Three of the four goals in the draft strategic plan reflect specific statutory responsibilities of the Department, and the fourth goal reflects one of the purposes of the Results Act.

We identified the following areas of major statutory responsibility for the Department: (1) strengthening and improvement of elementary and secondary schools; (2) national education reform; (3) school-to-work opportunities; (4) basic education for adults; (5) higher education resources and student assistance; (6) vocational education; (7) vocational rehabilitation and other rehabilitation services; (8) education of individuals with disabilities; (9) education research and improvement; (10) education statistics; and (11) monitoring and enforcing civil rights. (A list of the statutes that authorize the Department's major responsibilities is included in encl. I.)

The Results Act requires that a strategic plan indicate an agency's major functions in the mission statement and include goals and objectives for the

major functions of the agency. Although the Department's mission statement includes "monitoring and enforcement of civil rights to ensure that the U.S. education system is accessible and fair for all students" as a major function, none of the goals or objectives included in the draft plan focuses on this function, and the Department does not elaborate on it further in any other part of the plan.

The mission statement (including its supporting narrative) does not include several major functions that are addressed in the Department's long-term goals and objectives. The Department's statutory responsibilities related to basic education for adults, vocational rehabilitation, education of individuals with disabilities, and school-to-work opportunities are addressed in the Department's long-term strategic goals and objectives but are not included in the mission statement.

The Department should address specifically its civil rights responsibility in the plan's goals and objectives and include the omitted key functions with its mission statement. This should help stakeholders better understand the full scope of the Department's mission and its performance goals and objectives.

Three of the four goals in the Department's strategic plan reflect statutory responsibilities. Goal 1—to "help all students reach challenging academic standards"—reflects a declared goal of the Goals 2000: Educate America Act (20 U.S.C. § 5812(3)(A)). Goals 2 and 3—to "build a solid foundation for learning" and "ensure access to postsecondary education and lifelong learning"—reflect the overall purpose of several of the Department's major statutory authorities. The fourth goal—to "make (the Department) a high-performance organization"—is not based on a specific statutory responsibility of the Department but, rather, reflects one of the purposes of the Results Act itself.

The Department's Draft Strategic Plan Identifies Key Interagency Activities Except Those Affecting Postsecondary Programs

Although the Department has the primary responsibility for implementing federal education policy and programs, several other federal agencies also provide education-related programs and services. For example, the Departments of Labor and Veterans' Affairs administer employment training programs and award student aid to finance postsecondary study, respectively. We have identified in our past work opportunities for consolidating programs in certain areas, such as job training and early childhood education, to eliminate inappropriate duplication.¹ Specifically, we identified 90 early childhood programs being administered by 11 federal agencies and 20 offices in fiscal years 1992 and 1993. In addition, we found that the federal government administered 163 employment training programs, spread over 15 agencies, in fiscal year 1995. However, until such programs are consolidated, coordination will be key to ensure that similar programs administered by different agencies work in tandem to provide needed services.

The Department's draft strategic plan has done a good job of identifying crosscutting program activities in elementary and secondary programs. For example, it clearly identifies the need to work with (1) the Departments of Health and Human Services (HHS), Housing and Urban Development, Justice, and Transportation; the President's Crime Prevention Council; and the Office of National Drug Control Policy for the Safe and Drug-Free Schools program; (2) the Department of Labor for the School-to-Work program; and (3) the Department of Agriculture and HHS for preschool programs.

However, the plan does not identify or discuss activities for postsecondary programs that require coordination. The Higher Education Act (HEA) of 1965, as amended, requires the Department to coordinate with the Social Security Administration to verify the social security numbers of students who apply for federal student aid (20 U.S.C. 1091(p)). The act also requires or authorizes a number of activities that call for the Department to coordinate with several other federal entities for specific purposes (see table 1).

¹Early Childhood Programs: Multiple Programs and Overlapping Target Groups (GAO/HEHS-95-4FS, Oct. 31, 1994); Multiple Teacher Training Programs: Information on Budgets, Services, and Target Groups (GAO/HEHS-95-71FS, Feb. 22, 1995); Multiple Employment Training Programs: Information Crosswalk on 163 Employment Training Programs (GAO/HEHS-95-85FS, Feb. 14, 1995); and Department of Education: Information on Consolidation Opportunities and Student Aid (GAO/T-HEHS-95-130, Apr. 6, 1995).

Table 1: Selected Requirements in the Higher Education Act of 1965, as Amended, Providing for Interaction Among Agencies

Agency	Higher Education Act of 1965, as amended	Purpose for interagency coordination
Department of the Treasury	20 U.S.C. 1077a	To consult on setting student loan interest rates
Internal Revenue Service	20 U.S.C. 1087e	To obtain adjusted gross income and other tax information on borrowers for repayment of federal direct student loans
Immigration and Naturalization Service	20 U.S.C. 1091(g)	To perform data matches verifying immigration status to help ensure student aid applicants are eligible for federal aid
Selective Service	20 U.S.C. 1091(n)	To perform data matches that help ensure student aid applicants are registered for military service
Advisory Committee on Student Financial Assistance	20 U.S.C. 1098	To advise the Secretary of Education on student financial aid matters

By discussing these agencies and activities involved with the Department's higher education programs in its strategic plan, the Department can provide the Congress a more complete picture of the scope of the agency's coordination activities.

The Department's Draft Strategic Plan Identifies Several Management Challenges

In its discussion of core strategies for achieving its strategic goals and objectives and in appendix B of the strategic plan (which outlines performance indicators, baseline data, and data sources), the Department identifies several management challenges it will face in the coming years, but it provides little detail about these challenges and how it will meet them. This type of information could help the Department and its stakeholders identify major management problems that could impede the Department's efforts to achieve its goals and objectives. Further, stakeholders could benefit from knowing what the Department has done, is doing, or plans to do to address such problems.

These challenges generally fall into three categories: (1) ensuring that qualified staff and high-quality information systems are available to manage programs and provide information and technical assistance, (2) improving Department processes to ensure agencywide and

program-specific financial accountability, and (3) improving oversight of postsecondary institutions.

Over the past 5 years, we have reported on major management challenges that the Department faces in carrying out its mission. In response to our work and the work of others—including the Department’s OIG—the Department has undertaken efforts to reorganize, reform, and reengineer its overall mission-related management approach. The Department’s draft strategic plan suggests, however, that more remains to be done.

Ensuring That Qualified Staff and High-Quality Information Systems Are Available to Manage Programs and Provide Information and Technical Assistance

The Department’s draft strategic plan indicates that the agency views as a significant challenge having the appropriate systems, processes, and staff it needs to support managerial decision-making and assist its customers. Objectives supporting goal 4—to make the Department a high-performance organization—relate to the agency’s emphasis on addressing this challenge. In a 1993 report in which we examined management problems at the Department, we identified shortages of technically qualified staff as a major problem with the agency that contributed to management problems in the financial and information areas.² According to the Department’s draft strategic plan, some of these problems still exist today. The draft plan indicates that Department managers lack the necessary knowledge, skills, and abilities in financial management and performance measure development that will allow the agency to manage its finances appropriately and with a minimum amount of waste identify clearly what it intends to accomplish. The plan states that additional training is needed in these areas. The Department also cites improvements needed in its internal research and audit resolution dissemination processes that we believe will help the agency ensure that taxpayer dollars appropriated to the Department are being managed and spent responsibly.

According to the plan, the Department has already taken steps to improve its systems and processes agencywide. For example, the strategic plan states that the Department is developing a central automated processing system known as EDCAPS to provide reliable and timely information to agency managers about their programs. According to the plan, EDCAPS should also better control program funds to prevent unlawful expenditures.

²Department of Education: Long-Standing Management Problems Hamper Reforms (GAO/HRD-93-47, May 28, 1993).

Improving Department Processes and Systems to Ensure Agencywide and Program-Specific Financial Accountability

To ensure that its programs and services are financially sound (objective 4.6), the Department acknowledges in its draft plan a need to improve its financial systems and processes and describes strategies to achieve this objective. Several factors mentioned in the Department's plan or discussed in our past work or that of others will make the Department's improvement efforts in this area difficult.³

- **Significant financial management weaknesses.** The Department's strategic plan includes obtaining an unqualified audit opinion on its annual financial statement as a strategy for achieving financial integrity. To provide decisionmakers with reliable, consistent financial data on the operations of federal agencies, the Government Management Reform Act of 1994 (GMRA) requires each department and major independent agency to submit to OMB an audited agencywide financial statement beginning with fiscal year 1996. Our work has shown that the Department faces significant challenges in meeting GMRA requirements. The Department's own audit efforts have identified significant financial management weaknesses that agency management must address. According to the draft plan, poor data from the Federal Family Education Loan Program (FFELP) have prevented the Department from obtaining unqualified audit opinions on its annual financial statements for the past 4 years. These audits indicated that data underlying the Department's \$13 billion estimated liability for loan guarantees for FFELP were insufficient and unreliable. Also, because guaranty agencies and lenders play a crucial role in the implementation and ultimate cost of FFELP, the auditors stressed the need for the Department to complete steps under way for improving oversight of guaranty agencies and lenders. In an effort to prepare auditable fiscal year 1996 financial statements, the Department's Chief Financial Officer requested data from the top 10 guaranty agencies to be used as a basis for computing the liability for loan guarantees. In addition, an independent auditor under contract with the Department has developed agreed upon procedures to be applied by the guaranty agencies' independent auditors to test the reliability of the requested data. Although the draft plan expresses concerns regarding the integrity of the data supporting the loan guaranty liability, it does not specify how the Department intends to resolve the data integrity issues or accurately estimate the government's liability. The plan does, however, include a strategy for improving the oversight of guaranty agencies and lenders.

³Financial Audit: Federal Family Education Loan Program's Financial Statements for Fiscal Years 1993 and 1992 (GAO/AIMD-94-131, June 30, 1994); Financial Audit: Guaranteed Student Loan Program's Internal Controls and Structure Need Improvement (GAO/AFMD-93-20, Mar. 16, 1993); and Education Grants Management: Actions Initiated to Correct Material Weaknesses (GAO/HRD-91-72, June 26, 1991).

- Ongoing problems with the management, structure, and processes related to the student financial aid programs. According to the Department's draft plan, ensuring that taxpayer dollars are used effectively and are safeguarded against fraud, waste, and abuse will also help achieve the level of financial integrity the Department seeks. Our work has shown that persistent problems with the individual student aid programs' processes, structure, and management are at the core of the Department's financial accountability difficulties. These problems include (1) overly complex processes, (2) inadequate financial risk to lenders or state guaranty agencies for defaulted loans, and (3) management shortcomings.⁴ Protecting the financial interests of the government will also be difficult because the student loan programs now serve more students from low-income families and those attending proprietary schools than in the past. As the number of these higher risk borrowers increases, so does the potential for student loan defaults.

Improving the Department's Oversight of Postsecondary Institutions

In its discussion of core strategies to achieve goal 3—to ensure access to postsecondary education and lifelong learning—the Department indicates that it must improve its oversight of postsecondary institutions, agencies, and lenders.

Our past work has shown that the student aid programs have many participants and involve complicated, cumbersome processes. Three principal participants—students, schools, and the Department of Education—are involved in all the student financial assistance programs. Two additional participants—lenders and guaranty agencies—also have roles in FFELP. In general, each student aid program has its own processes, which include procedures for student applications, school verifications of eligibility, and lenders or other servicing organizations that collect payments. Further, the introduction of the Ford Federal Direct Loan Program (FDLP), originally viewed as a potential replacement for FFELP, has added a new dimension of complexity. Rather than replacing FFELP as initially planned, FDLP now operates alongside it. Essentially, this means that the Department has two programs that are similar in purpose but that operate differently.

As we reported in one of our reports on high risk issues, several weaknesses in the Department's oversight process continue to cause

⁴High-Risk Series: Student Financial Aid (GAO/HR-97-11, Feb. 1997); Higher Education: Ensuring Quality Education From Proprietary Institutions (GAO/T-HEHS-96-158, June 6, 1996); and Federal Family Education Loan Information System: Weak Computer Controls Increase Risk of Unauthorized Access to Sensitive Data (GAO/AIMD-95-117, June 12, 1995).

concern.⁵ For example, the Department's OIG identified problems with the recertification process that could increase the likelihood that schools not in compliance with eligibility requirements are able to continue to participate in federal student assistance programs.⁶ A review of a sample of Department recertification actions showed that 27 percent of schools sampled had violations of eligibility requirements such as unpaid debts or failure to meet financial responsibility requirements.⁷ The Department acknowledged that some recertifications should not have been made and stated that it was taking action to make current financial data available for future recertification reviews. In its draft strategic plan the Department states that it will address problems like this through improved targeting and oversight. The Department also plans to implement a gatekeeping initiative designed to focus resources on high-risk schools called the Institutional Participation and Oversight Service (IPOS) Challenge. This initiative uses a computer model to identify schools for review on the basis of their risk of noncompliance and is listed as a data source in the Department's strategic plan for measuring agency progress toward meeting goal 3.

The Department Does Not Have Adequate Data Systems and Information to Achieve All Its Strategic Goals

Our work has shown that the Department generally lacks reliable data sources and adequate accounting and information systems to achieve the following two objectives supporting goal 4:

- The Department's information technology investments are sound and used to improve impact and efficiency.
- Management of Department programs and services ensures financial integrity.

In 1992, we identified information resource management problems at the Department, and in recent testimony before the Subcommittee on Human Resources, House Government Reform and Oversight Committee, we reported that the Department does not have a sound integrated information technology strategy to manage its portfolio of information

⁵High-Risk Series: Student Financial Aid ([GAO/HR-97-11](#), Feb. 1997) and Financial Management: Education's Student Loan Program Controls Over Lenders Need Improvement ([GAO/AIMD-93-33](#), Sept. 9, 1993).

⁶The Department periodically certifies the financial and administrative capacity of all schools that participate in its student financial assistance programs. This certification process ensures, among other things, that schools can pay their bills, are financially sound, and have the personnel resources to administer the student financial assistance programs.

⁷U.S. Department of Education, OIG, Subsequent Review to Follow-Up Review on Selected Gatekeeping Operations, ACN: 11-60004 (Washington, D.C.: Department of Education, June 7, 1996).

systems.⁸ The Department recognizes in its draft strategic plan that improvements are needed in this area. The plan identifies several new agencywide initiatives as core strategies for improving the efficiency and effectiveness of operations through the use of information technology.

- Assess current and proposed major information systems. Recent information technology reform legislation, including the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996, set forth requirements that promote more effective use of information technology in support of agencies' missions and improved program performance. Under the information technology reform laws, agencies are required to better link their technology plans and utilization to their programs' missions and goals. In this regard, the Department's strategic plan states that the agency will assess current and proposed major information systems, such as the agency's financial systems, to ensure that they efficiently meet the needs and mission of the Department.
- Utilize an Information Technology Board. Among its activities, the Board will review new information technology investment proposals and conduct periodic reviews of ongoing systems.
- Develop a data warehouse. The Department intends to develop an agencywide information collection and dissemination system using a data warehouse to make Department data easily accessible internally and externally and to eliminate data duplication.
- Model and develop an information architecture. The Department plans to begin a modeling project to develop an architectural framework and uniform operating standards for all Department data systems to eliminate duplication in collection and data storage.

The Department has also taken the important step of including in its plans a major agencywide effort to address the "year 2000" date conversion problem arising from the decades-old practice of recording dates in computer programs using just the last two digits. As a result of this practice, systems or programs that use dates to perform calculations, comparisons, or sorting may generate incorrect results when working with years after 1999.

We have identified the year 2000 problem as a high risk area in recognition of the critical challenge faced by agencies that have to address this issue. Though this problem is not technically challenging, it will be a massive and complex undertaking. For many agencies, the year 2000 conversion effort

⁸Department of Education: Management Commitment Needed to Improve Information Resources Management ([GAO/IMTEC-92-17](#), Apr. 20, 1992) and Department of Education: Challenges in Promoting Access and Excellence in Education ([GAO/T-HEHS-97-99](#), Mar. 20, 1997).

will be the largest project ever to be managed and implemented by their information resource management organizations. Thus, the Department must ensure that its information systems are fully “year 2000 compliant” before January 2000. In its draft strategic plan, the Department has established December 31, 1999, as the deadline for converting seven mission-critical systems as part of its year 2000 conversion effort. Experts in the information technology industry, however, believe that all systems should be converted by December 31, 1998, to allow a year or more for validation and testing. Considering the magnitude of the task ahead, the Department would be well advised to establish a target indicator date well before the current target date of December 31, 1999, shown in its draft strategic plan.

Improving Information Systems Supporting Student Aid Programs Presents a Special Challenge

The Department faces a particularly difficult challenge in improving its information systems for the student aid programs. The Department’s student financial aid database, known as the National Student Loan Data System (NSLDS), enables schools, guaranty agencies, and others involved with administering student loans to transmit updated loan status data to the Department. However, the Department has not yet integrated NSLDS with the numerous separate data systems used to support individual student aid programs, often because the various systems have incompatible data in nonstandard formats. As a result, program managers often lack accurate, complete, and timely data to manage and oversee student aid programs.⁹

The lack of an integrated student financial aid system also creates several other problems:

- unnecessary manual effort on the part of users;
- redundant data being submitted and stored in numerous databases, resulting in additional costs to the Department as well as the chance for errors in the data;
- lack of common identifiers for students and institutions, making tracking students and institutions across programs and systems difficult (the 1992 HEA amendments required the Department to establish common identifiers for students and institutions not later than July 1, 1993; the Department’s draft strategic plan, however, does not address the development and implementation of common identifiers);

⁹Department of Education: Multiple, Nonintegrated Systems Hamper Management of Student Financial Aid Programs (GAO/T-HEHS/AIMD-97-132, May 15, 1997) and Student Financial Aid: Data Not Fully Utilized to Identify Inappropriately Awarded Loans and Grants (GAO/HEHS-95-89, July 11, 1995).

- inadequate program monitoring and data quality assurance. For example, the current system cannot always identify where a student is enrolled, even after an award has been made and thousands of dollars in student aid have been disbursed.

Although the Department has improved its student aid data systems somewhat since 1992 and has recognized the use and development of technology systems in this area in its strategic plan, major improvements are still needed. Both we and the Department's OIG reported in 1996 that the Department had not adequately tested the accuracy and validity of the loan data in the NSLDS.¹⁰

During the past year, the Department has been developing a major reengineering project, Easy Access for Students and Institutions (EASI), to redesign the entire student assistance program delivery systems to integrate the management and control functions for the student assistance programs. EASI is an important part of the Department's core strategy for developing cost-effective major systems that deliver for its customers and employees. Although activity on the EASI project, which had waned in previous months, has recently been renewed, the project is expected to be a long-term undertaking.

Agency Comments

On July 15, 1997, Department officials provided comments on a draft of this report (see encl. II). Department officials agree with our observations about the Department's draft strategic plan and intend to make several revisions in response to our review. For example, the officials said that the next version of the plan will better address all agency activities in its mission statement and include an additional objective focusing specifically on the management of postsecondary programs. In response to the comments on the draft, we recognize that the Department's statutory responsibility for vocational rehabilitation is included in the draft strategic plan; Department officials said, however, that the plan would be revised to strengthen its discussion of this program.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this letter for 30 days. We will then send copies to the Ranking Minority Members of your Committees and to the Chairman and Ranking Minority Members of other committees

¹⁰Department of Education: Status of Actions to Improve the Management of Student Financial Aid (GAO/HEHS-96-143, July 12, 1996).

that have jurisdiction over education activities, the Secretary of Education, and the Director of the Office of Management and Budget. We will send copies to others on request.

Please contact me at (202) 512-7014 if you or your staffs have any questions concerning this letter. Major contributors to this correspondence include Harriet Ganson, Assistant Director; Karen Whiten, Evaluator-in-Charge; Adam Vodraska, Senior Attorney; and Cheryl Driscoll, Senior Auditor.



Carlotta C. Joyner
Director, Education and
Employment Issues

Enclosures - 2

Department of Education's Major Statutory Responsibilities

1. Strengthening and improvement of elementary and secondary schools—The Elementary and Secondary Education Act of 1965, as amended (20 U.S.C. 6301).
2. National education reform—Goals 2000: Educate America Act (20 U.S.C. 5801).
3. School-to-work opportunities—School-to-Work Opportunities Act (20 U.S.C. 6101).
4. Basic education for adults—Adult Education Act, as amended (20 U.S.C. 1201).
5. Higher education resources and student assistance—Higher Education Act of 1965, as amended (20 U.S.C. 1001; 42 U.S.C. 2751).
6. Vocational education—Carl D. Perkins Vocational and Applied Technology Education Act, as amended (20 U.S.C. 2301).
7. Vocational rehabilitation and other rehabilitation services—Rehabilitation Act of 1973, as amended (29 U.S.C. 701).
8. Education of individuals with disabilities—Individuals With Disabilities Education Act, as amended (20 U.S.C. 1400).
9. Education research and improvement—Educational Research, Development, Dissemination and Improvement Act of 1994 (20 U.S.C. 6001).
10. Education statistics—National Educational Statistics Act (20 U.S.C. 9001).
11. Monitoring and enforcement of civil rights related to education—Department of Education Organization Act, as amended (20 U.S.C. 3401, 3413). (The Department's Office for Civil Rights enforces the antidiscrimination provisions of Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975 and also has responsibilities relating to the Americans With Disabilities Act of 1990.)

Comments From the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

July 15, 1997

Carlotta C. Joyner
Director, Education and Employment Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Ms. Joyner:

We appreciate the opportunity to respond to GAO's proposed letter report to Congress on the Department of Education's draft strategic plan. The Department's draft strategic plan reflects the work and contributions of many staff, and GAO's many positive findings reflect well upon their work. In the areas where GAO did make recommendations, I found the comments to be very constructive and substantive, and my staff will give the recommendations for change serious consideration.

Your letter identified several critical areas where we will make significant revisions to our strategic plan.

- **Covering all areas central to the Department's mission.** We agree with GAO's recommendation that the plan should cover all of the Department's major responsibilities, and will make changes to ensure this coverage. In particular:
 - Civil rights to education permeates all that we do at the Department, and many objectives in our plan are for programs that directly support students' civil rights, such as the Individuals with Disabilities Act or the Title I Grants for Disadvantaged Children program. However, we will clarify our responsibilities for civil rights monitoring and enforcement and will highlight them in our plan.
 - Regarding vocational rehabilitation, an objective, indicators, and strategies for that program were in the plan (objective 3.3—lifelong learning). To make certain that our commitment to this important program is clear, we will strengthen this section.
- **Strengthening management of postsecondary programs.** We agree with GAO that the Department's oversight of postsecondary institutions and the student aid information systems need continuing improvement. The final strategic plan will include a new, separate objective for postsecondary management under Goal 3. This new objective will allow us to establish more specific strategies and indicators, and it will align the strategic plan with the recent National Performance Review goals for improving postsecondary aid management.
- **Ensuring sound and efficient information systems.** The Department is strongly committed to improving our key information systems and will strengthen the plan even more in this area, taking your recommendations into account as we do so. Regarding year 2000

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**Enclosure
Comments From the Department of
Education**

compliance, our plan is to convert our major systems on or before the end of 1998, giving time for validation and testing during 1998 and 1999. We will revise the plan accordingly.

In addition to these changes, we will make other revisions as needed to respond to your concerns.

We are pleased that GAO found many positive aspects to our draft strategic plan. We intended to create a strategic plan that would be useful to Department managers and staff, Administration officials, and Congress—as well as our education partners and stakeholders. From the feedback received so far—including GAO's—we believe we are on the right track, even though some elements need revision.

As we complete this plan and move into implementation, we would welcome an ongoing consultation with GAO. Your expertise—particularly in priority areas such as the information and financial management systems—would be very helpful as we work to improve systems and performance. Thanks for your attention to our strategic plan.

Sincerely,



Marshall S. Smith
Acting

Related GAO Products

The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven ([GAO/GGD-97-109](#), June 2, 1997).

Executive Guide: Effectively Implementing the Government Performance and Results Act ([GAO/GGD-96-118](#), June 1996).

School Facilities: Condition of America's Schools ([GAO/HEHS-95-61](#), Feb. 1, 1995).

Charter Schools: New Model for Public Schools Provides Opportunities and Challenges ([GAO/HEHS-95-42](#), Jan. 18, 1995).

Education Reform: School-Based Management Results in Changes in Instruction and Budgeting ([GAO/HEHS-94-135](#), Aug. 23, 1994).

Buyouts at the Department of Education ([GAO/GGD-94-197R](#), Aug. 17, 1994).

Regulatory Flexibility in Schools: What Happens When Schools Are Allowed to Change the Rules? ([GAO/HEHS-94-102](#), Apr. 29, 1994).

Special Education Reform: Districts Grapple With Inclusion Programs ([GAO/T-HEHS-94-160](#), Apr. 28, 1994).

Immigrant Education: Federal Funding Has Not Kept Pace With Student Increases ([GAO/T-HEHS-94-146](#), Apr. 14, 1994).

Transition From School to Work: States Are Developing New Strategies to Prepare Students for Jobs ([GAO/HRD-93-139](#), Sept. 7, 1993).

Vocational Rehabilitation: Evidence for Federal Program's Effectiveness Is Mixed ([GAO/PEMD-93-19](#), Aug. 27, 1993).

Vocational Education: Status in 2-Year Colleges in 1990-91 and Early Signs of Change ([GAO/HRD-93-89](#), Aug. 16, 1993).

Transition Series: Education Issues ([GAO/OCG-93-18TR](#), Dec. 1992).

Vocational Rehabilitation: Clearer Guidance Could Help Focus Services on Those With Severe Disabilities ([GAO/HRD-92-12](#), Nov. 26, 1991).

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