

November 2009

# GRANT MONITORING

## Department of Education Could Improve Its Processes with Greater Focus on Assessing Risks, Acquiring Financial Skills, and Sharing Information



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# Highlights

Highlights of [GAO-10-57](#), a report to congressional requesters

## Why GAO Did This Study

The Department of Education (Education) awards about \$45 billion in grants each year to school districts, states, and other entities. In addition, the American Recovery and Reinvestment Act of 2009 provided an additional \$97 billion in grant funding. In a series of reports from 2002 to 2009, Education's Inspector General cited a number of grantees for failing to comply with financial and programmatic requirements of their grant agreements. GAO was asked to determine: (1) what progress Education has made in implementing a risk-based approach to grant monitoring, (2) to what extent Education's program offices have the expertise necessary to monitor grantees' compliance with grant program requirements, and (3) to what extent information is shared and used within Education to ensure the effectiveness of grant monitoring. To do this, GAO reviewed agency documentation related to Education's internal controls and interviewed senior Education officials and staff in 12 of the 34 offices that monitor grants.

## What GAO Recommends

GAO recommends Education improve its oversight of risk management, increase financial expertise among its grant monitoring staff, and develop an accessible mechanism to share information. Education generally agreed with our recommendations and provided additional information on its monitoring practices. We incorporated that information when appropriate.

View [GAO-10-57](#) or [key components](#). For more information, contact Cornelia Ashby at (202) 512-7215 or [ashbyc@gao.gov](mailto:ashbyc@gao.gov).

## GRANT MONITORING

### Department of Education Could Improve Its Processes with Greater Focus on Assessing Risks, Acquiring Financial Skills, and Sharing Information

#### What GAO Found

In October 2006, Education began to look at ways to improve the efficiency and effectiveness of the department's grant management processes; in particular, it sought ways to more effectively monitor its grants after they were made. In 2007, Education created the Risk Management Service (RMS) to work with all components of the department to ensure that each office has an effective risk management strategy in place.

Effective monitoring protocols and tools based on accepted control standards are key to ensuring that waste, fraud, and abuse are not overlooked and program funds are being spent appropriately. Such tools include identifying the nature and extent of grantee risks and managing those risks, having skilled staff to oversee grantees to ensure they are using sound financial practices and meeting program objectives and requirements, and using and sharing information about grantees throughout the organization. Our review of Education's current grant monitoring processes and controls found that it:

- Has made uneven progress in implementing a department-wide, risk-based approach to grant monitoring. Education has not disseminated department-wide guidance on grantee risk assessment, but it has planned some new efforts in this area. In the absence of guidance on a department-wide risk assessment strategy, individual program offices have developed their own strategies for assessing and managing risk that vary in rigor.
- Has limited financial expertise and training, hindering effective monitoring of grantees' compliance with financial requirements. Education has monitoring tools that aid in reviewing basic financial compliance, but the lack of staff expertise limits the ability to probe more deeply into grantees' use of funds.
- Lacks a systematic means of sharing information on grantees and promising practices in grant monitoring throughout the department.

These shortcomings can lead to weaknesses in program implementation that ultimately result in failure to effectively serve the students, parents, teachers, and administrators those programs were designed to help.

#### Gaps in Grant Monitoring at Education



Properly assessing risk



Having required skills and resources



Sharing information



Source: GAO analysis.

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## Abbreviations

Education	Department of Education
OCFO	Office of Chief Financial Officer
OPE	Office of Postsecondary Education
OSEP	Office of Special Education Programs
Recovery Act	American Recovery and Reinvestment Act of 2009
RMS	Risk Management Service
SASA	Student Achievement and School Accountability

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United States Government Accountability Office  
Washington, DC 20548

November 19, 2009

The Honorable John P. Kline  
Ranking Member  
Committee on Education and Labor  
House of Representatives

The Honorable Michael Castle  
Ranking Member  
Subcommittee on Early Childhood, Elementary  
and Secondary Education  
Committee on Education and Labor  
House of Representatives

The Honorable Howard P. "Buck" McKeon  
House of Representatives

The Department of Education (Education) administers about 200 programs that award grants totaling about \$44 billion per year to state and local educational agencies, institutions of higher education, and other eligible entities. Currently, there are 18,650 grantees with open grant awards from Education. In addition, as part of the American Recovery and Reinvestment Act of 2009 (Recovery Act),<sup>1</sup> Congress dramatically increased Education's grant funding by an additional \$97 billion. However, in a series of reports between 2002 and 2009, the Department of Education's Office of Inspector General identified a number of problems related to the management of grant funding by state and local educational agencies and institutions of higher education. Such findings raise questions about Education's ability to monitor its grantees, particularly when coupled with such a large increase in funding from the Recovery Act. How well Education, or any agency, can oversee grantees depends on the management and accountability tools and controls it has in place to properly implement monitoring in order to prevent or detect abuses by grantees. Such tools and controls include identifying the nature and extent of risks and managing those risks, having skilled staff to implement oversight activities to ensure that program objectives are fulfilled, and using and sharing relevant information throughout the organization. If any of the tools or controls are weak or not in place in a grant monitoring

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<sup>1</sup>Pub. L. No. 111-5, 123 Stat. 115 (2009).

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process, there is heightened risk of the program not fully meeting its objectives.

Because of the Office of Inspector General's findings and other reports on the improper use of funds by grantees and the implications for how well Education monitors its grants, you asked us to review Education's grant monitoring process. In meeting with your staff, we agreed to examine various aspects of Education's grant monitoring. Specifically, our objectives were to determine: (1) What progress has Education made in implementing a risk-based approach to grant monitoring? (2) To what extent do Education's program offices have the expertise necessary to monitor grantees' compliance with grant program requirements? (3) To what extent is information shared and used within Education to ensure the effectiveness of grant monitoring?

To answer these questions, we used information collected from current and past GAO engagements related to grant monitoring,<sup>2</sup> and held additional discussions with department officials to gain an understanding of grant monitoring at Education. We documented our understanding of Education's grant monitoring process and asked department officials to review the document and provide comments. They confirmed that our understanding was consistent with their grant monitoring practices and procedures. We based our evaluation of Education's grant monitoring process on GAO's standards for internal control in the federal government. We selected 12 of the department's 34 program offices from which to obtain more detailed information about their grant monitoring activities (see table 1). We selected these program offices because they encompass a wide variety of grant programs and they administer approximately 91 percent of grant funds in the department. Nine of the 12 program offices reside in four of the principal offices, which collectively administer the department's largest grant programs in terms of total funding. To ensure that we included programs from all seven of the principal offices administering grants to entities that provide education or education-related services to students, we also selected the program offices that administered the largest amount of grant funds in the other three principal

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<sup>2</sup>See, for example, GAO, *Low-Income and Minority Serving Institutions: Management Attention to Long-standing Concerns Needed to Improve Education's Oversight of Grant Programs*, GAO-09-309 (Washington, D.C.: Aug. 17, 2009) and *Teacher Quality: Sustained Coordination among Key Federal Education Programs Could Enhance State Efforts to Improve Teacher Quality*, GAO-09-593 (Washington, D.C.: July 6, 2009).

offices.<sup>3</sup> (App. I illustrates where the offices we selected are in Education’s principal office structure.)

**Table 1: Twelve Program Offices Reviewed**

Principal office	Program office	Total grant funds administered	Percentage of Education grant funds
Office of Elementary and Secondary Education	Student Achievement and School Accountability	\$14,429,333,331	32.6%
	Academic Improvement and Teacher Quality Programs	5,130,800,896	11.6
	Impact Aid Programs	1,240,717,000	2.8
	Office of Migrant Education	415,009,353	0.9
Office of Special Education and Rehabilitative Services	Office of Special Education Programs	11,957,593,817	27.0
	Rehabilitation Services Administration	3,169,591,222	7.2
Office of Vocational and Adult Education	Academic and Technical Education Division	1,271,880,064	2.9
	Adult Education and Literacy Division	576,494,357	1.3
Office of Postsecondary Education	Higher Education Preparation and Support Service	897,209,118	2.0
Office of English Language Acquisition	Continuation and Professional Grants Division	720,547,414	1.6
Office of Innovation and Improvement	Parental Options and Information	400,299,834	0.9
Office of Safe and Drug-Free Schools	Drug-Violence Prevention - State Programs	\$290,102,482	0.7
<b>Percentage of total Education grant funds covered by review</b>			<b>91.5%</b>

Source: GAO analysis of Department of Education data

We interviewed the directors and other supervisory staff involved in grant monitoring in these 12 offices and held discussions in each office with groups of program specialists ranging from 4 to 10 program specialists.<sup>4</sup> In offices with large numbers of program specialists, we interviewed random

<sup>3</sup>We did not include the Office of Federal Student Aid, which oversees student financial assistance grants, or the Institute of Education Sciences because the grant programs they administer generally do not give funds for providing education or education-related services to students.

<sup>4</sup>When referring to program specialists throughout the report, we are referring to program specialists in the 12 program offices.

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samples of program specialists.<sup>5</sup> In smaller offices, we interviewed all the program specialists who were available to meet with us. From these interviews, we obtained information on how grant monitoring was implemented by program office staff, which monitoring activities staff considered to be reasonably effective in ensuring compliance with federal requirements, and where improvements in the grant monitoring process were needed.

We corroborated the information from the interviews and small group discussions with review and analysis of plans, guidance, and protocols used by each program office to conduct its monitoring, as well as documentation concerning monitoring outcomes, interviews with officials from department management, and the results of outside evaluations or audits.

We conducted this performance audit from November 2008 to November 2009 in accordance with generally accepted government auditing standards. The 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 findings and conclusions based on our audit objectives.

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## Background

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### Department of Education

The Department of Education's mission is to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access. Toward this end, Education distributes federal grant funds to applicants throughout the nation to improve access to and the quality of education. Education supplements and complements the efforts of states, local school systems, the private sector, public and private nonprofit educational research institutions, other community-based organizations, parents, and students.

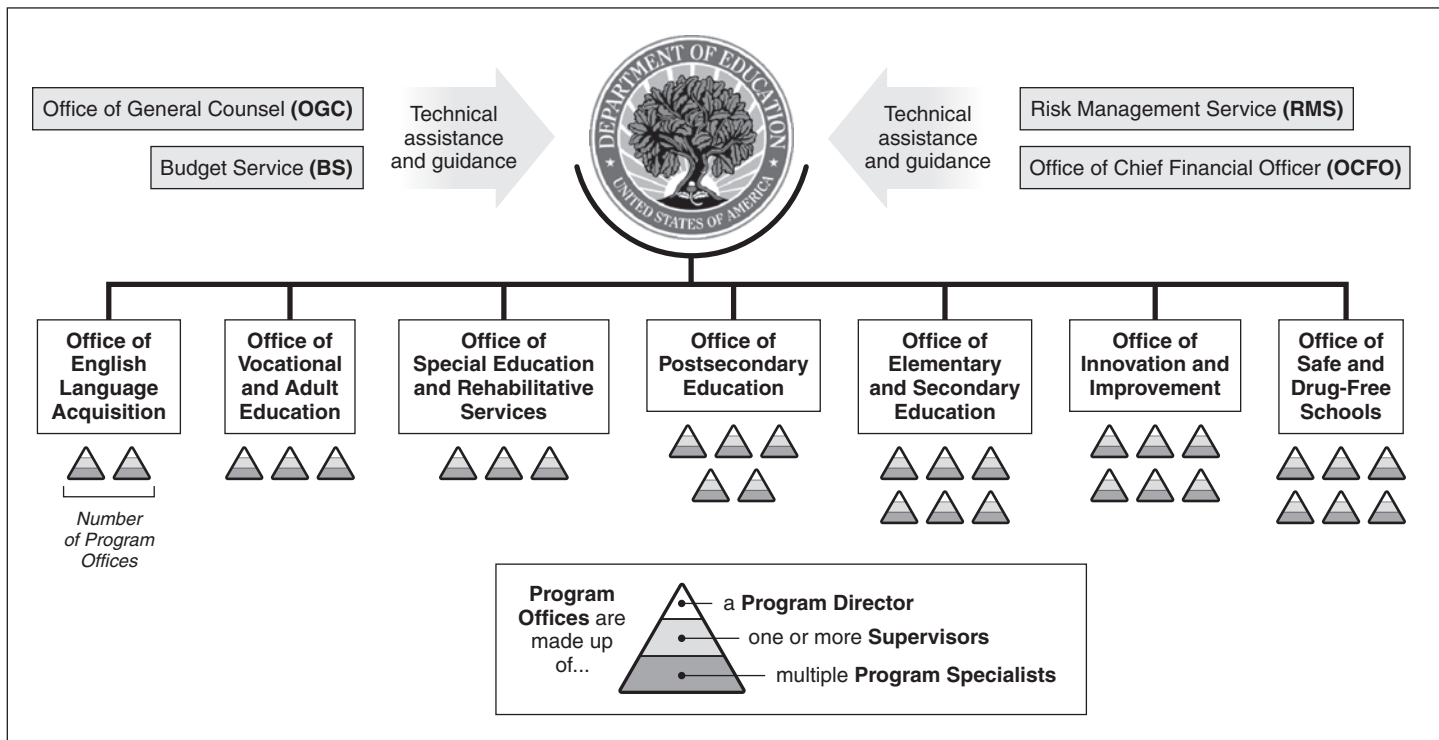
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<sup>5</sup>Although we used random sampling, we requested that program specialists with only brief experience in the offices be excluded. In addition, in some cases offices noted that they had a program specialist with financial expertise and we requested that the person be included in the group discussion.



Education has seven principal offices that administer grants to entities that provide education or education-related services to students (see fig. 1). The principal offices focus on specific areas of education, such as special education, elementary and secondary education, and postsecondary education. Within each of these principal offices, there are individual program offices responsible for one or more specific grant programs. For example, the Office of Special Education Programs and the Rehabilitation Services Administration are program offices in the principal Office of Special Education and Rehabilitative Services. Program offices have directors, supervisors, and program specialists responsible for the everyday administration of grants in the department. Department-wide offices—the Risk Management Service, Office of Chief Financial Officer, Office of General Counsel, and Budget Service—provide technical assistance and guidance to the principal and program offices.

**Figure 1: Organizational Structure at the Department of Education**

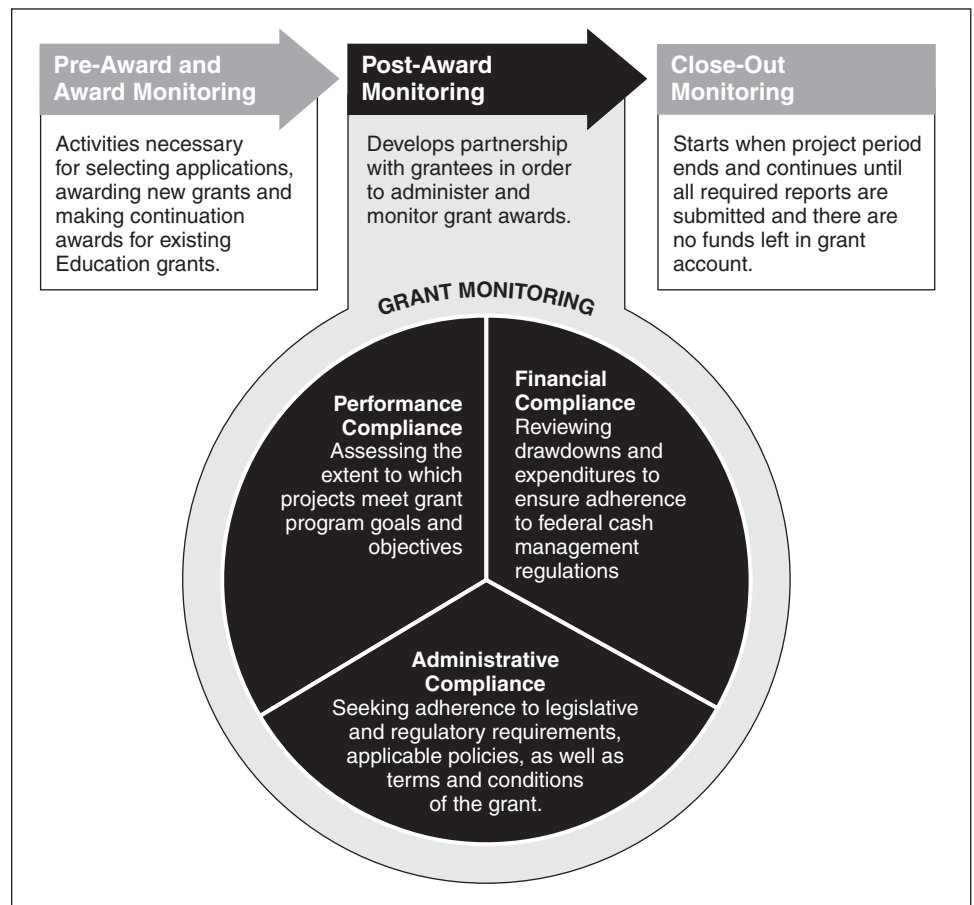


Source: GAO analysis of Department of Education information; seal (DOE).

## Grant Monitoring at Education

Education describes its grant management processes as a “cradle-to-grave” strategy. As shown in figure 2, this strategy includes phases for pre-award, award, post-award, and close-out. Monitoring to ensure administrative, financial, and performance compliance occurs primarily during the post-award phase, after the grantee has successfully applied for and been awarded a grant from Education.

**Figure 2: The Grant Life Cycle at the Department of Education**



Source: GAO analysis of Department of Education information.

In Education, grant monitoring is the responsibility of each program office. Each program office has the flexibility to tailor its monitoring to its respective grant programs. For example, program offices that oversee formula grants to state agencies generally conduct on-site monitoring on a 3-to-5-year cycle but can make more frequent visits if necessary. For discretionary grants, site visits to the recipients are generally less frequent,

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in part because of the relatively small size of the awards and the relatively large number of discretionary grant awards made by the department. Relatively more desk-top monitoring is used in monitoring discretionary grants. In general, recipients of grants from Education must:

- conform to the approved grant application and approved revisions;
- adhere to laws, regulations, conditions of the grant, and certifications;
- share progress on established performance measures; and
- manage federal funds according to federal cash management requirements.

Education's grant monitoring practices and procedures require that program office staff undertake numerous activities to monitor grantees for compliance with administrative, financial, and performance regulations and requirements to protect against fraud, waste, and abuse of federal resources. These activities include on-site visits and desk reviews of grantees, review of annual reports submitted by grantees, and evaluation of grant projects with respect to performance. For example, some financial monitoring activities that program office staff perform include reviewing reports generated in the Grant Administration and Payment System, Education's primary information system and tool for financial oversight, and available audit reports. In cases where technical assistance and normal monitoring do not improve grantee performance, special grant conditions may be imposed on the grantee such as requiring the grantee to obtain prior approval for certain expenditures. Findings of material noncompliance are reported to other offices in Education, such as the Office of General Counsel, while findings of potential illegal activity involving fraud, waste, and abuse are reported to the Office of Inspector General for further action. Continuous monitoring of grantees offers program office staff the opportunity to provide customized technical assistance, appropriate feedback, and follow-up to help grantees improve in areas of need, identify project strengths, and recognize significant achievements.

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## Education Has Made Uneven Progress in Implementing a Department-wide, Risk-based Approach to Grant Monitoring

Education allows individual program offices to develop their own procedures for assessing grantee risk. While the department has not yet provided department-wide guidance on grantee risk assessment, the Risk Management Service (RMS) is planning to introduce several new efforts designed to help in this area. In the absence of a department-wide strategy for risk assessment procedures, we found that in the program offices we visited, the procedures for assessing grantee risk varied in rigor, with some offices using a variety of indicators or data elements to measure relative risk, while others had no formal grantee risk assessment process in place.

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## Education Has Not Yet Provided Department-wide Guidance on Risk Assessment but Is Developing New Grantee Risk Assessment Tools

Federal guidance directs that management should identify internal and external risks that may prevent an organization from meeting its objectives.<sup>6</sup> In 2007, the department's Grants Pilot Project Team recommended the establishment of a coordinated, comprehensive, and department-wide approach to risk-based grant monitoring for discretionary and formula grants. The Secretary created RMS in October 2007 to work with all components of the department to ensure that each office has effective procedures in place to assess and mitigate risk among its grantees. Specifically, RMS is to develop tools to assess grantee risk for use throughout the department and train department staff to use the tools.<sup>7</sup> RMS has not yet issued department-wide guidance on assessing grantee risk, and key guidance, such as the updated discretionary grant handbook, does not provide information on how to develop a risk-based approach to monitoring grants. Program officials said that such guidance would be a valuable tool for program offices in developing their own risk assessment procedures. RMS is currently testing software it developed that would assist Education staff in evaluating grantee risk. For example, the new software collects financial information from Dun and Bradstreet, among other sources, and uses that information to calculate a score reflecting the financial stability of grantees. The software will also help with risk assessment by providing other information from agency and outside sources, along with relevant findings from grantee audits. However, RMS does not have a timetable for using this new software throughout the department.

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<sup>6</sup>Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*, December 21, 2004.

<sup>7</sup>U.S. Department of Education, *FY 2007 Performance and Accountability Report*, November 15, 2007.

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RMS has worked closely with the Office of Postsecondary Education (OPE) to develop risk assessment procedures, and hopes to work with officials in the other principal offices for this purpose. RMS helped OPE develop an index that ranks the potential risk level of grantees based on such risk criteria as net operating results, status with an accrediting agency, enrollment trends, and ability to manage federal funds. RMS also provides OPE with monthly analyses of grantees' level of financial risk. In the meantime, some program offices have developed risk assessment procedures on their own.

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### Grantee Risk Assessment Procedures Used by Program Offices Vary in Rigor

We observed a wide range of risk assessment procedures that varied in rigor among the program offices we reviewed. In discussing how program offices assess grantees' financial risk, we noted there was an indicator that program offices routinely reviewed to assess a grantee's financial risk: the rate at which a grantee draws down grant funds, known as the drawdown rate. Although staff we met with in all of the offices that disburse funds through periodic drawdowns reported checking the drawdown rate, the frequency varied from office to office, with some checking the rate monthly and others checking it quarterly. Further, the drawdown rate is limited as an indicator of the soundness of a grantee's financial management practices because it only shows when the grantee is using funds and does not show what the funds are used for.

In addition to monitoring the grantees' drawdown rates, staff in three of the offices we met with OPE, Student Achievement and School Accountability (SASA), and Office of Special Education Programs (OSEP) described using more rigorous risk assessment procedures than those developed in the other offices we visited. As discussed above, OPE worked with RMS to develop new risk assessment procedures. Staff in SASA have recently moved to risk-based monitoring procedures; they use a risk assessment procedure that incorporates an extensive list of risk indicators and numerous sources of information to determine an individual grantee's level of risk and whether grantees are meeting performance expectations. These indicators include program performance data, the grantee staff's level of experience, the size of the grant and the population served, and issues raised by the Office of Inspector General. Once the program specialists in that office collect and analyze the information, they tailor monitoring and technical assistance accordingly. The staff routinely track major compliance or performance issues, and also conduct staff briefings before site visits to share information the office has developed about the grantee and issues that may arise, and afterwards, to discuss findings and possible corrective action plans.

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Specialists in OSEP reported that they categorize grantees based on such factors as audit findings, data indicating how well the grantee is accomplishing its objectives, and special conditions attached to the grant. Based on this information, they categorize the level of risk for the grantee and the level of monitoring and technical assistance the grantee requires. For example, a grantee that has high staff turnover or recurring problems in external audits, or is unable to meet its performance expectations, would be monitored more closely and receive more technical assistance than a grantee with experienced staff that is consistently meeting the program's administrative, financial, and performance requirements.

Program specialists from OPE, Parental Options and Information, and the Continuation and Professional Grants Division told us that their risk assessment process begins when they first contact grantees and provide expectations for reporting performance and financial information. This early contact gives these program specialists a sense of the level of experience the grantee has in managing federal grants. In developing those assessments, the program specialists and supervisors said they can tailor their monitoring to provide additional technical assistance, for example, or reach out more frequently than they might otherwise to grantees that appear likely to have compliance problems.

While some of Education's program offices are making progress assessing and managing grantee risk as discussed above, staff in three other program offices described significant limitations of the risk assessment process in place for their grant programs:

- Program specialists in one office told us that experienced program specialists rely on their skills and experience to determine what to look for. However, without a formalized risk assessment process, they said a new hire might miss key issues while monitoring a grantee. They added that a more formal risk assessment process would be helpful.
- The program specialists in another office said they are not able to review all possible risk indicators that may pertain to grantees or do more in-depth risk assessments because of competing demands on their time. For example, one program specialist described a situation in which grant funds were improperly paid out to a grantee because the program specialist did not have time to check whether the grantee was in good standing. He added that the office was able to recover the funds, but he was concerned this could happen again and result in losses.

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- One program office director told us that the large number of grantees makes it impossible to conduct routine risk assessments of them all. Program specialists from that office told us that because of their heavy work load—ranging from 85 to 260 grants per specialist—they did not have enough time to review all the grantees identified as being at risk.

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### Limitations in Financial Expertise and Training Hinder Education’s Ability to Effectively Monitor Grantees

Directors and supervisors in the program offices we visited noted that while their staff generally have the expertise needed to perform their monitoring duties, limited financial expertise and training hinder effective monitoring of grantees’ compliance with financial requirements. In many of the program offices we visited, program specialists monitor grantees for compliance with administrative, financial, and performance requirements. In most program offices, staff we spoke with—including directors, supervisors, and specialists—said that the program specialists have limited financial knowledge and lack the skills needed for conducting financial reviews and ensuring grantees’ financial compliance. While monitoring protocols aid in reviewing compliance with basic financial requirements, the ability to verify or evaluate what grantees report about their use of funds is limited by a lack of expertise. For example, using findings from consolidated audit reports on grantees’ financial statements is an activity that aids in identifying monitoring issues, but staff in some program offices have difficulty accessing these reports or are not able to determine how to use the report findings to identify areas that need closer monitoring. Some program office staff said that training on performing financial reviews is needed to help fill the gap in this skill area. Education has identified the need for more financial review capability in its grant program staff through a skills assessment inventory it has conducted for the last several years. However, Education has not fully developed a strategy to enhance the financial review capacity of its grant program staff.

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### Lack of Financial Expertise Limits the Depth of Grantee Monitoring, Hindering Its Effectiveness

According to federal control standards, as part of their management responsibilities, agencies should have standards or criteria for hiring qualified people. Program office directors and supervisors told us their staffs generally have the background and expertise needed to monitor grantees, but directors, supervisors, and staff in eight of the program offices we reviewed said their program specialists generally did not have a sufficient level of financial knowledge or skills needed to review grantee compliance in that area. Several noted that some of their program specialists previously worked in state or local education systems or have strong backgrounds in education programs, and that they seek individuals with these backgrounds or experience specific to their programs.

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However, program specialists from three of the groups we met with—that administer about 47 percent of Education’s total grant funding—told us specifically that they, as a group, did not possess the needed knowledge or skills for reviewing grantee financial compliance and that this hindered their offices’ ability to adequately monitor grantees. The director in one of those offices also expressed doubt that, in general, his staff have the ability to conduct more in-depth financial reviews of grantees beyond reviewing drawdown activity reports.

Program offices took different steps to try to ensure proper financial reviews. Five of the 12 offices we reviewed addressed their need for financial expertise by designating staff to perform financial compliance reviews. However, the directors or supervisors from three of these offices said that more of their program specialist staff will need to be trained in financial monitoring as their office’s workload increases and as individuals with fiscal expertise retire.

Program office staff can work with the department-wide offices that provide technical assistance and guidance (see fig. 1) on financial compliance issues. Six offices obtained assistance in conducting financial monitoring from other offices such as RMS and the Office of Chief Financial Officer (OCFO). However, these arrangements sometimes had limits. One program office found OCFO’s ability to assist was limited by their lack of program knowledge. RMS is responsible for providing principal and program offices with advice and assistance on issues concerning grant administration, but officials in RMS told us their offers of assistance to program offices are often met with skepticism or resistance. The director of RMS also has concluded that he would need additional staff to provide support to the program offices, including development of financial monitoring standards and training.

In addition to designating staff to perform financial compliance reviews or obtaining assistance in conducting financial monitoring from other Education offices, four of the offices retained contractors to assist with monitoring activities, including participating in site visits. However, staff in two of these offices found that the contractor personnel also lacked sufficient knowledge and skills to conduct financial compliance monitoring. Another office terminated its contract because the contractor was not meeting the office’s standards for preparing site visit reports. Some of these program offices that used contractors did so to complement their own staffs with additional resources in order to meet their monitoring needs. One director told us he used contractors because more money was available for contractors than for hiring or training staff.



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Education has not assessed the effectiveness of using contractors to conduct fiscal monitoring. An official in the Office of the Secretary told us he was not aware of any attempts at such an analysis.

Most of the program offices we reviewed use written tools or protocols that typically give instruction for monitoring compliance, including compliance with financial requirements, but these protocols generally do not provide instruction or guidance on verifying or evaluating information obtained during the review. The group of program specialists we met with in one office told us they usually have to rely on grantees' self-reporting about their use of funds. These specialists said they do not have the background or skills needed to corroborate what the grantees are reporting, and the office's protocols we reviewed do not provide further guidance or instruction on corroborating or evaluating information obtained. The director in this office also acknowledged his staff's lack of financial skills and said he would like to see the department develop some better tools for assuring that grantees are complying with financial requirements and using their funds consistently with their plans.

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### Education Has Not Fully Developed a Strategy to Enhance the Financial Review Capacity of Its Monitoring Staff

While Education has begun an effort to inventory the skills of its grant monitoring staff, it has not yet developed a training program or other strategy to fill gaps in their financial monitoring capacity. Some program office staff noted that training specifically in financial monitoring is needed and would help improve skills. Also, the Grants Pilot Project Team concluded that initial training efforts in financial monitoring had not yet yielded long-term and sustained improvements or a critical mass of better trained staff. To identify where financial monitoring training is needed, the department has been conducting an inventory of the skills of its program specialist staff for the last several years.<sup>8</sup> Supervisory staff in the program offices are asked to identify the skills needs of each person reporting to them, including financial compliance knowledge. The results of the inventory are to be used to design training in financial compliance and determine how much training is needed in each office. Supervisors are encouraged to meet with their staff, discuss the skills needs, and inform those individuals about available training. However, under this program, financial management or analysis skills are not competencies on which all

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<sup>8</sup>For purposes of describing staff covered under this skills inventory, we are including three job classifications among program specialist staff: program specialists, education research analysts, and management program analysts.

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program specialist staff are assessed. Only about 10 percent of staff with grant administration responsibilities are assessed on a financial skills competency. Based on the most recent year for which inventory results are available, 25 of the individuals assessed on financial skills were identified as needing training on financial compliance.

Financial monitoring is currently available as a module in classes on grant monitoring, but the course material is limited to use of the Grant Administration and Payment System and grantees' use of tools such as fund carryovers and budget transfers. In addition, there are two courses on understanding the role of audits in grantee compliance, but they have been offered only once in 2007 and once in 2008 with an enrollment limit of 30. Similarly, Education also offers a course on basic accounting theory and principles for any department staff without prior accounting training. One of its goals is to provide knowledge for monitoring use of funds by grantees. The course most recently has been offered three times in 2009, and department officials estimate about 23 program office staff with grant monitoring responsibilities have successfully completed or are currently taking it.

Education is planning to make changes in the financial compliance components of its grant administration training, but these efforts are just beginning and management has not committed to a time frame for full implementation. RMS is developing a class on grants management that will focus on financial and administrative requirements and compliance. Preliminary materials we reviewed indicate it will cover such topics as grantee cash management and payment systems, cost principles for grantees, and financial reporting. Two program offices have expressed interest in registering their staffs to take this class when it becomes available. RMS is also planning to develop a curriculum for newly hired grant administration staff that would be offered through "just-in-time" modules, one of which would focus on financial compliance. According to the RMS official responsible for developing these courses, though, the development is being delayed while he implements similar courses for grantees and their subrecipients. He also noted that his own instructor staff have limited financial knowledge, which could impose a constraint on the success of the new training.

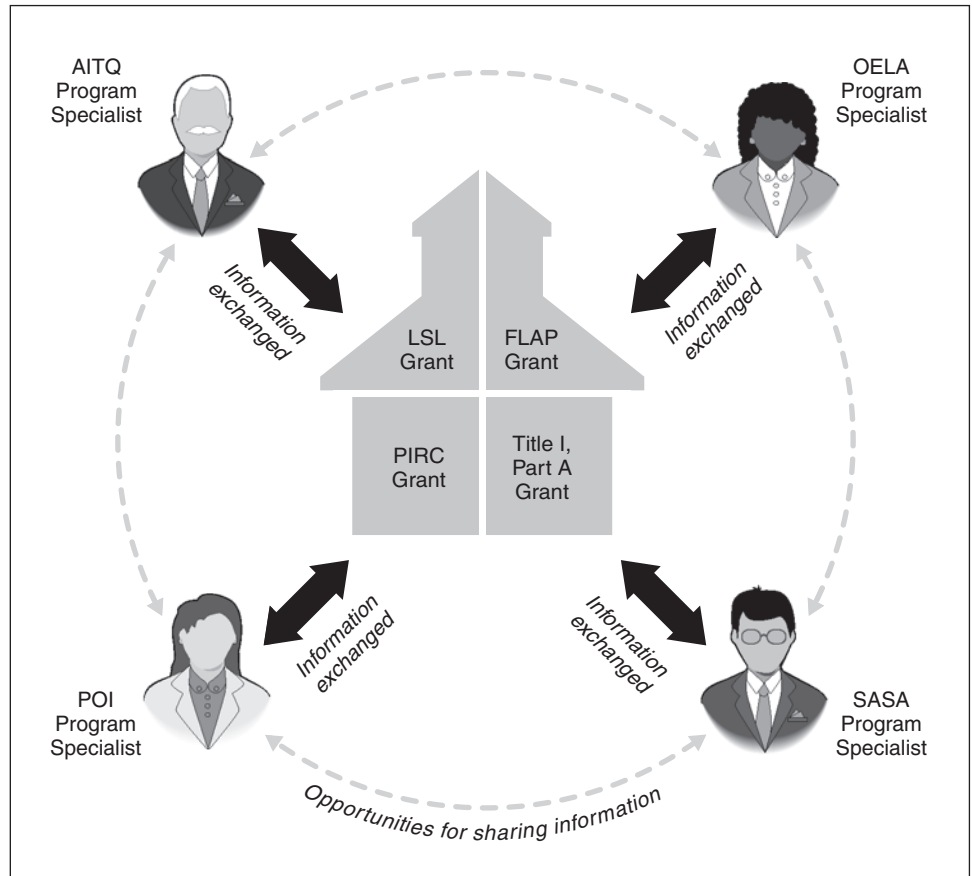
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## Limitations in Education's Information-Sharing Systems Hinder Effective Grant Monitoring

Education staff responsible for grant monitoring generally do not have access to relevant information on how well grantees comply with the requirements of other Education grants and whether their performance with respect to those grants meets expectations. Because many grantees receive multiple grants from Education in a given year, program specialists said this type of information sharing could help program specialists carry out their grant monitoring responsibilities more effectively (see fig. 3). Additionally, the program offices responsible for grant monitoring lack a systematic means to share information on promising practices for conducting grant monitoring. Program office managers and staff said it would be helpful to have information on ways to improve or enhance current monitoring practices.

**Figure 3: Opportunities for Sharing Information about Recipients of Multiple Education Grants**



Source: GAO analysis of Department of Education grant programs.

Note: Foreign Language Assistance Program (FLAP) grants are monitored by the Continuation and Professional Grants Division program office in the Office of English Language Acquisition (OELA). Parental Information and Resources Centers (PIRC) grants are monitored by the Parental Options and Information (POI) program office in the Office of Innovation and Improvement. Improving Basic Programs (Title I, Part A) and Improving Literacy through School Libraries (LSL) grants are monitored by the Student Achievement and School Accountability (SASA) and Academic Improvement and Teacher Quality (AITQ) program offices respectively, in the Office of Elementary and Secondary Education.

Program office management and staff identified challenges in accessing information relevant to grant monitoring. Program management and specialists acknowledged that while it might be useful to share information with other principal or program offices, there is no formal mechanism to do so. One program office director, for example, said such exchanges might provide other program offices information about

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systemic management or personnel problems state grantees are experiencing, since these types of problems could affect a wide variety of the department's grant programs. A supervisor in another office observed that if his staff find questionable issues with a grantee, they do not have a systematic method of reporting it to other program or principal offices that may also be funding that same grantee.

Moreover, program staff within the same office said they do not always have access to information about a grantee's performance. In one of our discussion groups with program specialists, one participant was aware a grantee was having performance issues but another participant who also monitors the same grantee under a different grant was unaware of these performance issues. Had he known about these issues, he would have intensified his monitoring of that grantee. The program specialists in this office said they do not know who works with which grantees and there is no formal process within the program office to share information.

Managers in several program offices said they have databases or other repositories housing grant monitoring information including findings and past program performance, but these databases are not available to staff outside their program office. In those offices, information is available for internal program office use but is not typically shared with or accessible to monitoring staff in other program offices. For example, one principal office has a database of monitoring findings and recommendations from the last 6 years, but we were told it was for use only in that principal office. Program office management and staff noted that Education has a shared computer drive where program offices may store current and historical information on grantees' performance in folders, but access to their information on the drive is typically restricted to their own staff. The shared drive was never intended for sharing information among different principal offices. Staff in one program office would need to be given access to browse files saved in another program office's folder on the shared drive. However, even with access to the folders on the shared drive, the information may not be easily searchable according to some program staff. One program officer explained to us that in his office, he and his colleagues can use this drive as a repository for all documents related to their work. However, they have to notify each other of what is available on the drive.

One notable exception to the limitations in information sharing involves the department-wide team headed by RMS that is responsible for coordinating the monitoring of designated high-risk grantees. The designation is assigned when the results of audits or other monitoring

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activities show the grantee has significant deficiencies and is not meeting program, financial, or administrative requirements. Currently there are 17 grantees with this designation. This team meets weekly and includes representatives from the program offices, OCFO, and other department-wide offices. At these meetings, the team shares information about the high-risk grantees, monitoring issues involving those grantees, progress made in addressing corrective action plans, and other issues that may arise. As noted previously, RMS is nearing completion of an information-sharing tool for the department that would provide program specialists with relevant information related to all grantees department-wide. However, RMS does not have a targeted implementation date for the information-sharing tool.

In addition to the limited accessibility of information on grantees, we found there is limited information on promising practices in grant monitoring. In 2007, the department's Grants Pilot Project Team recommended disseminating promising practices for grant monitoring to all program offices. However, the program office directors and other staff we interviewed were generally not aware of a formal mechanism for sharing promising practices and desired a more formal approach. While management staff in some offices said they share information on promising practices through informal contacts and networks, managers in four of the offices we visited said that a means to share such information more systematically would be helpful to all offices and a good way to improve grant monitoring practices.

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## Conclusions

Since it created RMS in October 2007, Education has made progress in developing a risk-based approach to monitoring its more than 18,000 grantees. While allowing individual program offices to develop their own procedures might make sense given the range of programs and missions in the various offices, not all of the program offices have developed procedures for assessing grantee risk. RMS is developing training, software, and technical assistance that the program offices can use to aid in the development of their own risk assessment procedures; however, many of these efforts are in the planning stages and do not have an implementation timeline.

The shortcomings we have identified in Education's risk assessment practices provide challenges for the department in targeting its monitoring efforts to the grantees most likely to have compliance problems, identifying potential misuse or waste of grant funds that could deprive other areas of needed scarce resources, and improving its monitoring

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processes through a wider exchange of information about grantees. With regard to reviewing grantee financial compliance, the lack of financial expertise among program specialists and training opportunities prevents staff from routinely conducting more thorough reviews and probing more deeply into grantee financial information, risking failure to identify misuse or waste of grant funds. Without more widespread sharing of information, Education cannot ensure that problems with a grantee identified by one office become known to other offices supporting the same grantee, or promising practices that can improve the effectiveness of the monitoring process are adopted on a wider scale.

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## Recommendations for Executive Action

In order to better target grant monitoring and ensure that monitoring staff have the knowledge and information that would help them focus their monitoring efforts, we recommend that the Secretary of Education take the following three actions:

- Develop department-wide guidance on risk assessment, continue efforts to develop new grantee risk assessment tools that can be implemented department-wide, and work with the program offices to ensure these tools are implemented.
- Implement a strategy to ensure each program office has staff with sufficient financial monitoring expertise to conduct or assist other program specialists in conducting financial compliance reviews. This could include proceeding with plans for enhanced financial training and also assessing options such as using dedicated staff or contractors to conduct grantee financial reviews.
- Develop an easily accessible mechanism for sharing information across all offices about grantees' past and present performance, and an accessible forum for sharing promising practices in grant monitoring to ensure all program offices are able to effectively and efficiently perform all of their duties and responsibilities.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the Secretary of Education. Education's comments are presented in appendix II. Education generally agreed with our recommendations and said it is taking various steps to address them. However, Education believed the draft report should provide a more complete and accurate picture of its overall monitoring efforts and provided technical comments to provide a more complete and accurate analysis of its monitoring practices. We believe our draft report

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provided an accurate portrayal of Education's monitoring efforts and presented appropriate evidence for our conclusions and recommendations. We reviewed Education's technical comments and incorporated them when appropriate.

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We are sending copies of this report to 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>. Please contact me at (202) 512-7215 if you or your staff have any questions about this report. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. Other major contributors to this report are listed in appendix III.



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



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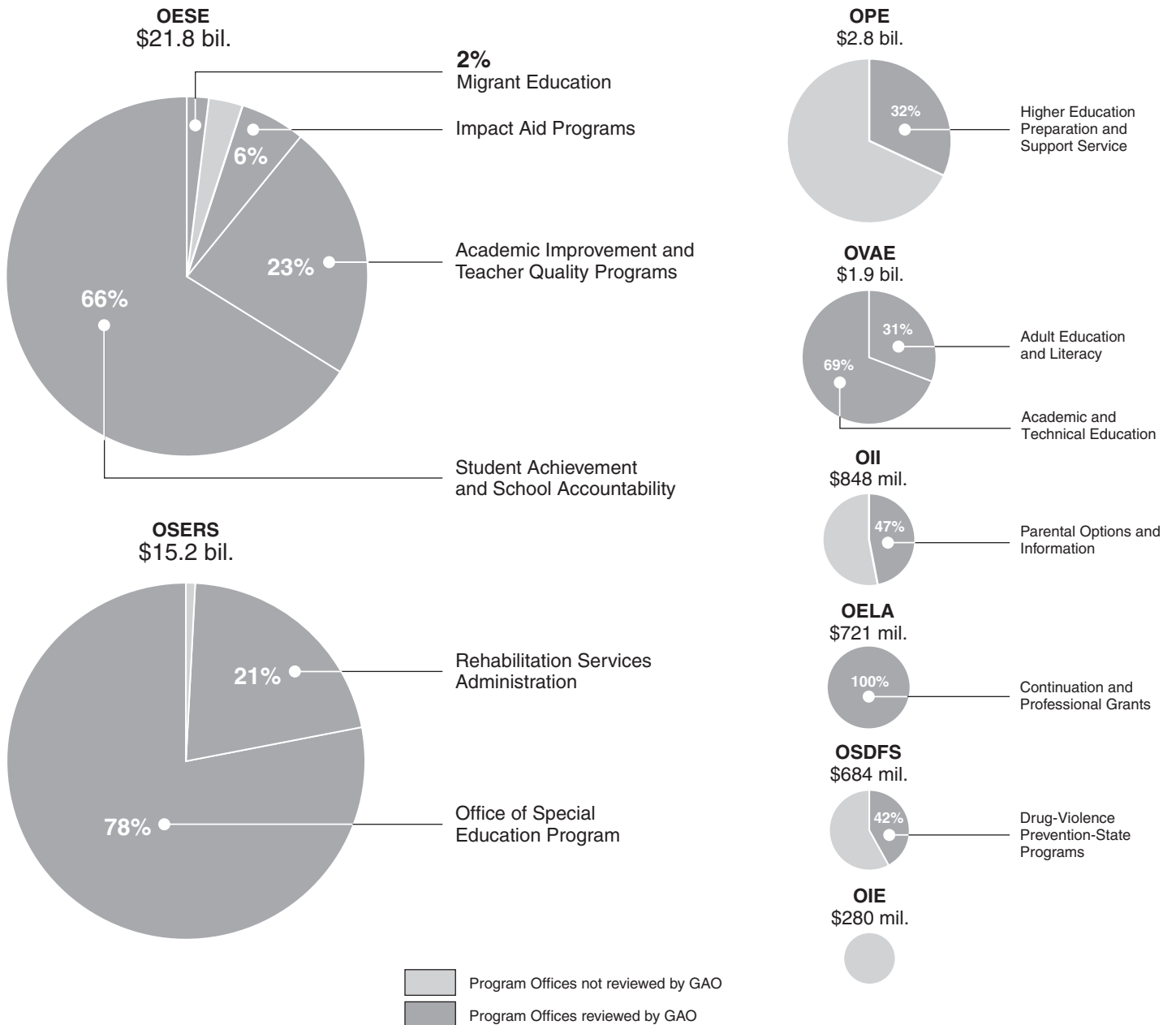
# Appendix I: Comparison of Grant Funding in the Department of Education's Principal and Program Offices

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Each pie chart in figure 4 represents a principal office in Education that awards grants to state and local educational agencies, institutions of higher education, and other eligible entities. The chart for each office is sized according to its share of the total amount of Education's grant funding in that office based on fiscal year 2008 appropriations. The program offices we included in our review, and their percentage of principal office grant funds, are shown by the labeled slices. The unlabeled slices represent the program offices that were not included in our review.

**Appendix I: Comparison of Grant Funding in the Department of Education's Principal and Program Offices**

**Figure 4: Comparison of Grant Funding in Education Department Principal Offices**



Source: GAO analysis of Department of Education data.

Notes: OESE = Office of Elementary and Secondary Education; OPE = Office of Postsecondary Education; OSDFS = Office of Safe and Drug-Free Schools; OSERS = Office of Special Education and Rehabilitative Services; OII = Office of Innovation and Improvement; OELA = Office of English Language Acquisition; IES = Institute of Education Sciences; OVAE = Office of Vocational and Adult Education.

# Appendix II: Comments from the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

November 16, 2009

Ms. Cornelia Ashby  
Director, Education Workforce  
and Income Security Issues  
Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Ashby:

Thank you for the opportunity to respond to the Government Accountability Office (GAO) draft report, *Grant Monitoring: Department of Education Could Improve its Processes with Greater Focus on Assessing Risks, Acquiring Financial Skills, and Sharing Information* (GAO-10-57). The report contains three recommendations for improving the U.S. Department of Education's ability to effectively and efficiently monitor grantees for programmatic, financial, and administrative compliance. The Department generally agrees with the recommendations, which are consistent with the Department's goal of continuously improving the effectiveness of the agency's monitoring and increasing the use of risk-based methodologies. However, we believe the report should provide a more complete and accurate picture of the Department's overall monitoring efforts and have submitted technical edits that provide a more complete and accurate analysis of the Department's monitoring practices. Below are the Department's responses to GAO's specific recommendations.

**Recommendation:** Develop department-wide guidance on risk assessment, continue efforts to develop new grantee risk assessment tools that can be implemented department-wide, and work with the program offices to ensure these tools are implemented.

The Department agrees that a Department-wide grant monitoring strategy, including an enhanced risk-based approach, could strengthen its monitoring and oversight. As discussed in the technical edits, the Department already uses risk-based factors as part of its monitoring efforts. To further promote the use of risk-based factors and continue to improve monitoring across the agency, the Department is currently developing an enhanced risk-based approach to grant monitoring that will include automated tools to assist grant managers in assessing grantees' risks in the areas of financial and grants management compliance, and provide staff easier access to audit findings on both program and financial compliance issues.

**Recommendation:** Implement a strategy to ensure each program office has staff with sufficient financial monitoring expertise to conduct or assist other program specialists in conducting financial compliance reviews. This could include proceeding with plans for enhanced financial training and also assessing options such as using dedicated staff or contractors to conduct grantee financial reviews.

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Page 2 – Ms. Cornelia Ashby


As noted in the technical edits, the Department uses resources from other offices (e.g., Risk Management Service, Office of the General Counsel, Office of the Chief Financial Officer) with expertise in fiscal matters to advise, train, and supplement the resources of the program offices when needed. However, we recognize the importance of oversight of grantees' compliance with government-wide rules for financial and grants administration and believe that our efforts will be enhanced by further increasing program staffs' expertise related to financial management, and further developing the expertise and the capacity necessary to monitor compliance with the federal grant requirements related to financial management. The Department is evaluating options for building capacity in this area, including those recommended by GAO, such as providing additional financial training to Department staff or engaging contractors to conduct grantee financial reviews.

Recommendation: Develop an easily accessible mechanism for sharing information across all offices about grantees' past and present performance, and an accessible forum for sharing promising practices for grant monitoring to ensure all program offices are able to effectively and efficiently perform all of their duties and responsibilities.

As noted in the technical edits, much consultation among programs and other offices already takes place, and currently there are effective means to coordinate information. However, the Department-wide grant monitoring efforts could be enhanced by improving access to monitoring findings and other information on grantees' past performance for all of the Department's program offices. The Department agrees that additional easily accessible mechanisms for sharing information across programs on grantees' past performance will further improve the Department's ability to assess risk and provide targeted technical assistance to help grantees improve their grants administration.

We appreciate the opportunity we have had to discuss with you our responses to these recommendations, as well as our technical edits in response to GAO's draft findings. Please let me know if you have any questions.

Sincerely,



Anthony W. Miller

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Cornelia M. Ashby, (202)512-7215, or [ashbyc@gao.gov](mailto:ashbyc@gao.gov)

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## Staff Acknowledgments

In addition to the individual named above, other GAO staff who made key contributions to this report are Bill Keller, Assistant Director; Joel Marus, Analyst-in-Charge; Travis Hill; Jill Yost; Charles Willson; Kate Van Gelder; Luann Moy; Walter Vance; Jim Rebbe; and James Bennett.

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