

441 G St. N.W.
Washington, DC 20548

August 19, 2021

The Honorable Robert “Bobby” Scott
Chairman
Committee on Education and Labor
House of Representatives

Higher Education: Office of Federal Student Aid Is Beginning to Identify and Address Its Workforce Needs

Dear Chairman Scott:

The Department of Education’s Office of Federal Student Aid (FSA) manages all federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. FSA staff oversee the administration of federal grants, loans, and work-study funds to support students’ postsecondary education, and have other responsibilities related to college financing and oversight.¹ FSA’s responsibilities have grown significantly in recent years, as a result of changes to the size and complexity of the federal student loan program, among other items. For example, its loan portfolio now exceeds \$1.5 trillion, making it the largest consumer lender in the country. However, little is known about how FSA has adjusted the size and composition of its workforce in response to the office’s increased responsibilities, and you asked us to examine this issue. This report describes the extent to which FSA has identified and addressed its staffing needs.

To address our objective, we interviewed FSA officials who develop staffing policies and manage the staffing process, and conducted two group interviews with a total of nine randomly chosen officials from the Human Capital Group representing one-third of the employees who implement relevant FSA staffing policies. In addition, we reviewed documentation on FSA’s workforce assessment efforts and hiring, recruitment, and retention activities.² We also analyzed FSA human capital data from fiscal years 2010 through 2020. This employee-level data included information on FSA’s federal employees, such as their pay plans, occupations, and years of federal service. We analyzed these data to understand the changes in the workforce composition and pay plans at FSA from fiscal years 2010 through 2020. We did not analyze information on the number of and changes to contractor staff employed by FSA over this time period because the office does not maintain these data, according to officials. To assess the reliability of the data, we asked knowledgeable FSA staff about the data, including what was done to ensure accuracy, and we assessed the data for anomalies. We determined

¹We use the term “colleges” to refer to institutions of higher education that participate in Title IV federal student aid programs.

²We did not independently evaluate the findings and recommendations identified through FSA’s workforce assessment activities.

that the human capital data were sufficiently reliable for the purposes of describing the composition of FSA's workforce over time.

We conducted this performance audit from August 2020 to August 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

FSA staff have many responsibilities across the student loan life cycle, from processing millions of student aid applications every year to educating borrowers on managing their loan repayment. While colleges disburse this aid and loan servicers collect loan payments, FSA staff are responsible for providing oversight to colleges and soliciting and managing the loan servicer contracts.³ FSA staff also manage grant and campus-based aid programs, help the office fulfill its enforcement responsibilities, and monitor and certify the financial health of approximately 5,600 colleges that participate in federal student aid programs, among other responsibilities.

The Higher Education Amendments of 1998 established FSA as a performance-based organization (PBO) to, among other things, provide greater flexibility in the management and administration of the federal student financial assistance programs.⁴ As a PBO, FSA generally has independence over many of its administrative and management functions and greater organizational flexibility than other government agencies.⁵ For example, FSA is managed by a Chief Operating Officer and controls its budget allocations and expenditures, and personnel decisions, subject to the direction of the Secretary of Education.

When FSA was established as a PBO, the office was provided with flexibilities in staffing, classification, and pay of certain employees. Using these flexibilities, FSA established Administratively Determined positions to hire senior managers and professional and technical staff. For instance, FSA may use Administratively Determined positions to hire staff outside of standard government practices, such as not being required to post the position to the federal government's centralized hiring website, USAJobs.gov. Additionally, FSA can compensate staff in Administratively Determined positions beyond traditional government pay limits and award those staff annual bonuses.⁶

Since FSA was established as a PBO, its roles and responsibilities in student lending evolved from guarantor to loan provider. Historically, private lenders disbursed the majority of student

³Federal student loans are generally serviced by contracted loan servicers. Loan servicers communicate with borrowers about the status of their loans, counsel borrowers on selecting repayment plans, and process payments, among other activities.

⁴Pub. L. No. 105-244, Title I, § 101(a), 112 Stat. 1604 (codified as amended at 20 U.S.C. § 1018). FSA is one of three federal PBOs. The Federal Aviation Administration's Air Traffic Organization was established as a PBO through executive order and the Patent and Trademark Office has a PBO-like structure.

⁵FSA, *Federal Student Aid Strategic Plan, FY 2020-24* (Washington D.C.: December 2020).

⁶These flexibilities and other "personnel flexibilities" are outlined in 20 U.S.C. § 1018(g)(1)-(3). The Chief Operating Officer is directed to work with the Office of Personnel Management to develop and implement personnel flexibilities that meet the needs of the PBO, subject to compliance with Title 5 of the U. S. Code. 20 U.S.C. §1018(g)(2).

loans, which the federal government guaranteed.⁷ In 2010, FSA became the sole provider of new federal student loans.⁸ As the sole provider, FSA became responsible for communicating aid options to students, overseeing colleges who determine students' eligibility for grants and loans, and contracting with servicers who collect loan payments. In 2020, FSA awarded more than \$115 billion in grants, work-study funds, and loans to approximately 11 million students.

FSA Recently Began to Identify and Address Its Staffing Needs

FSA Was Initially Unaware of the Number of Staff or Skills Needed to Respond to Its Increasing Workload

Prior to fiscal year 2020, FSA had not conducted a formal workforce review, according to officials. Such a review could determine FSA's ability to respond to its increasing workload and other challenges, and identify staffing needs and skills gaps. We previously reported that workforce reviews can help an agency respond to changes in its budget or other environmental factors by establishing whether the agency has the appropriate number of staff with the relevant skills needed to achieve the agency's mission.⁹

Without a workforce review, FSA staffing levels and expertise did not sufficiently adjust as student aid programs grew in size and complexity, according to officials. Instead, FSA based hiring decisions on available funding and did not directly tie these decisions to its workforce needs. In addition, officials said that while FSA's responsibilities grew, factors outside of the office's control further constrained staffing levels, like government-wide budget limitations and hiring restrictions. For example, a federal hiring freeze in 2017 generally restricted executive branch agencies and offices, including FSA, from filling new positions. FSA officials said that these hiring restrictions did not consider the office's staffing needs.¹⁰

We found that despite changes to federal student aid programs and FSA's increased workload since fiscal year 2010, staffing remained relatively flat from fiscal years 2010 through 2019.¹¹ For example, staffing levels did not increase between fiscal years 2011 and 2013 as FSA implemented a new complex income-driven repayment plan, launched a centralized website on federal student aid, and entered into agreements with 20 loan servicers. In addition, staffing decreased by 0.5 percent in fiscal year 2019 from fiscal year 2018, the same year FSA began a student aid delivery modernization project, Next Gen, which is technically complex and requires

⁷Under the Federal Family Education Loan Program, money was borrowed from private lenders and backed by a federal guarantee on the loans.

⁸The authority to make new Federal Family Education Loan Program loans was eliminated under the Health Care and Education Reconciliation Act of 2010, and as of July 1, 2010 all new federal student loans were awarded by FSA under the Direct Loan Program. Pub. L. No. 111-152, title II, § 2201, 124 Stat. 1029, 1074.

⁹GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003). See Principle 2: Determine the Critical Skills and Competencies That Will Be Needed to Achieve the Future Programmatic Results.

¹⁰We previously reported that budget uncertainties can negatively impact hiring at other agencies. GAO, *Human Capital: Improving Federal Recruiting and Hiring Efforts*, [GAO-19-696T](#) (Washington, D.C.: July 30, 2019).

¹¹In fiscal year 2010, FSA had 1,178 staff compared to 1,251 staff in fiscal year 2019.

specialized skills.¹² FSA officials said that staffing levels have not kept pace with loan portfolio growth. For example, from fiscal years 2010 through 2019, Direct Loan volume increased approximately 450 percent and the number of borrowers increased almost 150 percent, while the number of FSA staff increased 6 percent.

FSA Recently Began to Review Staffing Needs and Address Workforce Challenges

In 2020, FSA began taking steps to review its workforce by identifying staffing needs and skills gaps. These steps included an assessment of employees' existing workloads and the office's additional staffing and position needs, and an analysis of employees' skills and how they can be enhanced. Officials said these analyses will help ensure FSA has adequate staff with the right skills to fulfill its mission by enhancing the skills of its current workforce and informing future staffing plans and budget requests.

- **Workforce requirements assessment.** FSA recently completed an assessment that compared the office's fiscal year 2020 staffing levels to its employees' workload. The assessment measured the extent to which current staff completed required tasks and quantified the amount of work left uncompleted.¹³

According to the assessment, FSA is understaffed in many of its operational and mission support offices.¹⁴ Consequently, staff did not complete almost 20 percent of FSA's workload in fiscal year 2020, despite staff working overtime and supervisors completing extra work.¹⁵ According to the assessment, staffing shortages have led to backlogs and reduced work quality. For example, the assessment noted that information technology projects were delayed, some contracting activities were not completed on time, and some student aid fraud investigations were delayed. In fiscal year 2021, officials said FSA plans to begin incorporating information from the workforce requirements assessment into its staffing process and plans to update each office's staffing requirements annually.

- **Skills gaps assessment.** FSA is currently assessing the capabilities of its workforce to identify gaps in existing staff's skills. As of April 2021, FSA had completed five analyses for offices that focus on acquisitions, students' experience with aid delivery, oversight of colleges' participation in federal student aid, strategic planning and FSA's performance,

¹²Next Gen is a multi-year initiative intended to improve the way students, parents, and borrowers interact with and access the student aid programs administered by FSA. The initiative includes re-soliciting contracts with loan servicers to improve customer service, re-designing the student aid application and other online platforms, and updating loan counseling processes.

¹³FSA commissioned a study that analyzed the staffing levels and workload of 80 operational and mission support offices within FSA over an 11-month period. The offices covered in the assessment consisted of a total of approximately 1,225 federal full-time equivalents (FTE), or roughly 85 percent of the FSA workforce. The study excluded small and temporary offices.

¹⁴According to the study, as of February 2021, the available staff of the offices included in the study was 1,268 FTEs. Yet, current workload demand for FSA offices included in the study was estimated to require 1,973 FTEs, resulting in an estimated staffing gap of 705 FTEs.

¹⁵Almost all FSA offices that had uncompleted work reported that their staff were working additional hours to help reduce the volume of remaining work. Other common strategies included using temporary support such as detailees, contractors, and staff "on loan" from the Department of Education; implementing process efficiencies; and spreading out staff.

and certain technology functions. FSA recommendations from these analyses generally focused on increasing training and improving staff's leadership, technical, and soft skills. For example, FSA found its acquisitions office would benefit from strategic leadership development, improvement in technical contracting skills, and better communication and collaboration among staff. FSA recommendations for the acquisitions office included providing time for staff to complete training; training on acquisition basics, such as the contracting life cycle; and additional leadership coaching. According to officials, FSA plans to complete assessments for two additional offices in fiscal year 2021 and three more offices by the end of fiscal year 2022, and use the results to inform future training.

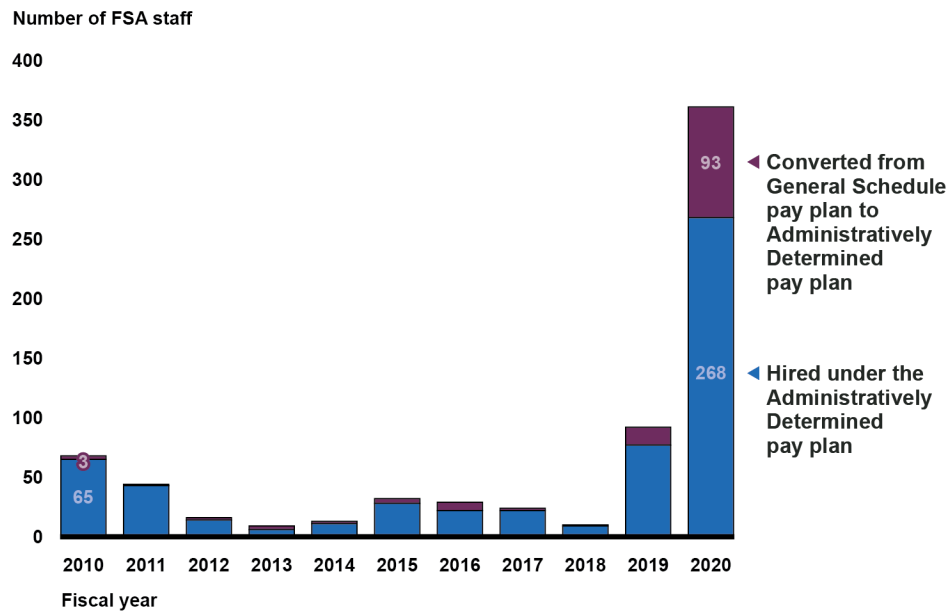
While reviewing its overall workforce needs, FSA took more immediate steps to address indications that staff lacked certain skills and some offices were understaffed. These steps included prioritizing and increasing hiring and reorganizing the office.

- **Prioritized hiring.** According to officials, FSA program offices worked with FSA's Human Capital Group to prioritize hiring for certain positions in critical areas in fiscal year 2020. Each office within FSA created a hiring proposal and worked with the Human Capital Group to decide which positions to prioritize. These priority positions included acquisition staff, contract oversight staff, data scientists and analysts, institutional review staff, attorneys, project managers (including those hired to support Next Gen), and strategic communications staff. As a result of the prioritization, for example, FSA hired 30 additional attorneys to assist with the backlog in borrower defense applications and 16 additional institutional review specialists.¹⁶ Officials said prioritizing positions helped FSA improve its ability to hire staff in critical areas within budget constraints.
- **Increased hiring.** FSA primarily relied on its PBO flexibilities to increase hiring in fiscal year 2020. The office ended the year with 1,462 employees, according to FSA data, which was a 17 percent increase over the previous fiscal year.
 - FSA relied on its PBO staffing flexibilities to quickly hire external staff with needed skills, according to officials. According to officials, the Administratively Determined hiring process is faster than traditional government methods and allows FSA to proactively seek out needed talent. Officials stated that FSA currently uses its PBO flexibilities as much as possible because there are no limitations on the number of Administratively Determined staff it can hire, allowing the office to be more agile. During fiscal year 2020, FSA more than tripled the number of external Administratively Determined hires as compared to the previous year (from 77 to 268). For example, FSA officials told us they used the Administratively Determined hiring authority to quickly obtain staff in its Human Capital Group so they could handle the anticipated increase in hiring throughout FSA.
 - FSA also used these flexibilities to move existing staff with unique skills into Administratively Determined positions to help fill specific FSA needs, according to officials. The number of FSA staff who moved from General Schedule positions into Administratively Determined positions increased six-fold (from 15

¹⁶Attorneys in the Borrower Defense Unit adjudicate and issue decisions on borrowers' claims that their colleges engaged in certain misconduct. Institutional Review Specialists conduct program reviews of student financial assistance programs at colleges to determine whether colleges are in compliance with federal statutory and regulatory provisions governing the administration and management of student aid programs.

to 93) from fiscal year 2019 to 2020.¹⁷ FSA officials said that staff already working at FSA in a General Schedule position may apply for Administratively Determined positions when seeking other opportunities or promotions within FSA. If they are selected for the position, they would be converted to the Administratively Determined pay plan which could result in a pay increase. Overall, FSA’s use of Administratively Determined positions increased substantially from fiscal years 2010 to 2020 (see fig. 1).

Figure 1: Number of Staff in the Office of Federal Student Aid (FSA) Hired or Converted into Administratively Determined Positions, Fiscal Years 2010 through 2020



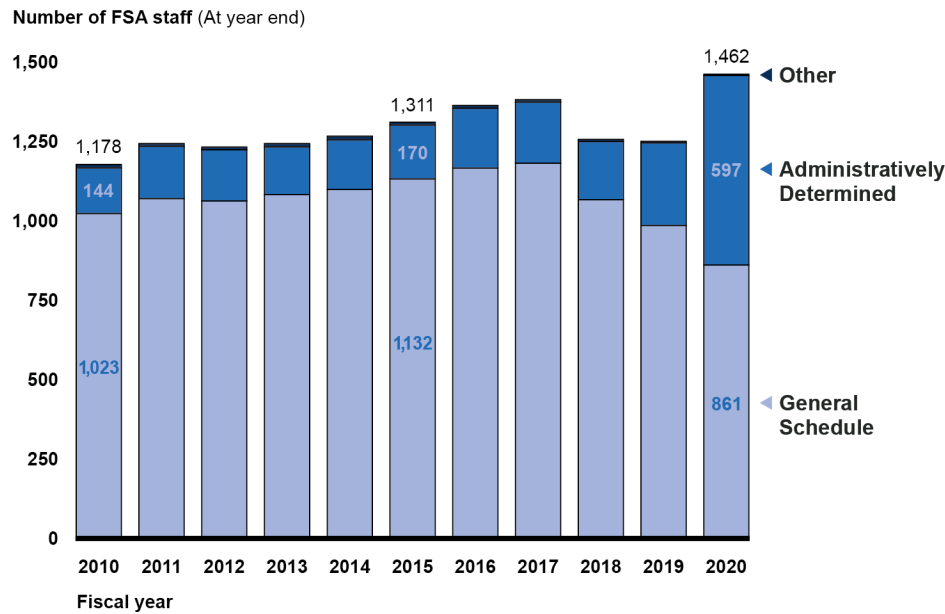
Source: GAO analysis of FSA data. | GAO-21-542R

Note: The General Schedule pay plan covers the majority of civilian federal employees in professional, technical, administrative, and clerical positions. The Administratively Determined pay plan covers individuals hired and paid using FSA’s performance-based organization flexibilities.

As a result of these external hires and General Schedule to Administratively Determined conversions, FSA ended fiscal year 2020 with the highest proportion of staff in Administratively Determined positions from fiscal years 2010 to 2020 (see fig. 2).

¹⁷The General Schedule classification and pay system covers the majority of civilian federal employees in professional, technical, administrative, and clerical positions.

Figure 2: Number of Staff in the Office of Federal Student Aid (FSA) in Various Pay Plans at the End of Fiscal Years 2010 through 2020



Source: GAO analysis of FSA data. | GAO-21-542R

Note: “Other” pay plans include the Senior Executive Service and consultants. The General Schedule pay plan covers the majority of civilian federal employees in professional, technical, administrative, and clerical positions. The Administratively Determined pay plan covers individuals hired and paid using FSA’s performance-based organization flexibilities.

- Reorganized FSA.** On March 29, 2020, FSA reorganized to meet current workforce needs and create a more agile organization, according to officials. Officials said the reorganization was also intended to address concerns about staff having more work than they could handle. The reorganization aligned 15 offices that previously reported directly to the Chief Operating Officer into five new offices that each report to a deputy Chief Operating Officer, and created a temporary office focused on the new student loan servicing system Next Gen (see fig. 3).

Figure 3: Office of Federal Student Aid's (FSA) March 2020 Reorganization of Offices



Source: GAO analysis of FSA documents. | GAO-21-542R

Note: The Next Gen FSA Program Office is a temporary office that is scheduled to close in 2022 when a new student loan servicing platform is fully implemented.

According to officials, these immediate efforts combined with ongoing workforce management planning will help achieve a key strategic workforce objective: to attract, retain, and develop a workforce capable of driving and implementing organizational change. Moving forward, officials plan to continually assess and refine workforce priorities and leverage PBO flexibilities to address FSA's critical staffing needs.

Agency Comments

We provided a draft of this report to the Department of Education for review and comment. In its comments, reproduced in enclosure I, the Department of Education agreed with our findings and provided additional information on steps the Office of Federal Student Aid is taking to assess and address its workforce needs.

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

If you and your staff have any questions, please contact me at (617) 788-0534 or emreyarrasm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report include Andrea Dawson (Assistant Director), Rachel Beers (Analyst-in-Charge), and Kelsey Kreider. Additional assistance was provided by Carl Barden, James Bennett, Benjamin Bolitzer, Elizabeth Calderon, Marcia Carlsen, Aimee Elivert, Gina Hoover, Steven Lozano, Stacy Ouellette, and Rhiannon Patterson.

Sincerely yours,

A handwritten signature in black ink that reads "Melissa Emrey-Arras". The signature is written in a cursive, flowing style.

Melissa Emrey-Arras
Director, Education, Workforce, and Income Security Issues

Enclosures - 1

Enclosure I



July 23, 2021

Ms. Melissa Emrey-Arras
Director, Education, Workforce, and Income Security Issues
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Ms. Emrey-Arras:

I am writing on behalf of the U.S. Department of Education (Department) in response to the Government Accountability Office (GAO) draft report, *Staffing Practices at the Office of Federal Student Aid (GAO-21-542R)*. We appreciate the time and effort that went into this engagement and the opportunity to respond to this draft GAO report and the two specific findings to the Department. In the draft GAO report, GAO made no recommendations; the Department is responding to the two observations made by GAO.

The draft GAO report acknowledges that, between 2010 and 2020, Federal Student Aid (FSA)'s size and program complexity increased while its workforce size did not increase until 2020. The report also noted FSA's efforts in 2020 to complete a workforce requirements assessment and skills-gap analysis assessment to help determine the agency's needs to meet increased demands. In response, FSA took steps to address the issue of understaffing by prioritizing hiring and increasing staffing in accordance with its hiring flexibilities under its Performance-Based Organization (PBO) statute (20 U.S.C. § 1018). FSA agrees with GAO's conclusion and will continue to assess and address its workforce needs.

Draft GAO Report: FSA Was Initially Unaware of the Number of Staff or Skills Needed to Respond to Its Increasing Workload

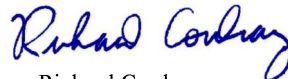
FSA's Response: Prior to fiscal year 2020, FSA did not have a formal method to document the work processes that set the foundation for determination of workforce requirements. Given its complex and evolving mission requirements, FSA commissioned an independent, comprehensive workforce requirements study and chartered Skills Gap Analyses across its business units, while taking additional steps to prioritize hiring to meet mission demands. This effort was completed prior to the change in administration and thus warrants additional review to align with current agency priorities. While this study did not finalize specific actions to be taken, it did highlight areas for additional review and identified actions that could be executed to reduce redundancy and implement process simplification that would increase efficiency and better leverage resources across the organization.

Draft GAO Report: FSA Recently Began to Review Staffing Needs and Address Workforce Challenges

FSA's Response: FSA completed a comprehensive workforce requirements study that measured the extent staff were able to complete required tasks and quantified the amount of completed and uncompleted work. Follow-up work will include discussions and implementation of process efficiencies to increase cross-organization collaboration and resource utilization. Additionally, FSA is currently working to finalize a methodology and planned Table of Organization to document position-by-position workforce requirements across all organizational elements of FSA. FSA also completed a comprehensive reorganization to transform FSA into a more agile, customer-focused organization. Furthermore, FSA completed five Skills Gap Analyses that allowed it to conduct targeted training across the enterprise. Finally, while under the leadership of the previous Chief Operating Officer FSA prioritized hiring to meet key mission outcomes, while utilizing its PBO-authorized hiring flexibilities to hire and realign existing staff into Administratively Determined positions to fill specific needs. An effort is currently underway to reassess staffing needs to align to meet key mission outcomes as determined by FSA's new Chief Operating Officer.

FSA continually strives to address its personnel needs and to improve its hiring and staffing practices. Again, we thank you for the opportunity to review the draft GAO report and to provide this feedback for your consideration.

Sincerely,



Richard Cordray
Chief Operating Officer
Federal Student Aid

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