

October 2022

## INFORMATION TECHNOLOGY

### Education Needs to Address Student Aid Modernization Weaknesses

#### Why GAO Did This Study

In fiscal year 2021, the Department of Education's FSA spent about \$1.3 billion to process federal student aid totaling about \$112 billion. To modernize processing of student aid, Education initiated an effort, referred to as the Next Gen program. One of the most critical and expensive projects within Next Gen is a system development effort focused on strengthening partnerships with participating schools.

The House report accompanying the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Bill, 2021 included a provision for GAO to examine FSA's efforts to transition to the Next Gen program. This report examines (1) the status of FSA's Next Gen program; (2) the extent to which FSA cost estimation guidance and the Next Gen program's cost and schedule estimates aligned with GAO best practices; and (3) the extent to which FSA implemented best IT practices on scope, system development quality, and stakeholder management for the school partnership project.

GAO reviewed Next Gen program and project planning documentation, and evaluated the Next Gen program's cost and schedule estimates against GAO best practices. GAO also assessed the school partnership project against selected project management best practices.

#### What GAO Recommends

GAO is making 14 recommendations to Education, including addressing weaknesses in cost, scheduling, and project management practices. FSA, on behalf of Education, generally concurred with the recommendations.

View [GAO-23-105333](#). For more information, contact Marisol Cruz Cain at (202) 512-5017 or [cruzcaim@gao.gov](mailto:cruzcaim@gao.gov).

#### What GAO Found

Education's Office of Federal Student Aid (FSA) initiated the Next Gen program in 2017. Next Gen's purpose was to modernize the systems and processes that students, parents, borrowers, and school partners use to apply for, administer, and/or process federal student aid. As of August 2022, FSA had modified the initial scope of Next Gen from 13 projects to nine projects. Of the nine projects, five are considered complete—a data strategy plan, a systems architecture document, a pilot effort on payments, deployment of a data management platform, and deployment of a loan data system. The four remaining projects had each experienced schedule delays with interim milestones. Further, FSA does not know when three of the four projects would be fully implemented (see table).

#### Schedule Status for Ongoing Federal Student Aid (FSA) Next Gen Projects, as of June 2022

Project name	Original planned full implementation date	Current planned full implementation date as of June 2022
Business Process Operations	7/26/2022	3/31/2024
Digital and Customer Care	8/12/2021	Not yet determined
Partner Participation and Oversight	3/1/2022	Not yet determined
Unified Servicing and Data Solution (previously called Enhanced Processing Solution and Interim Servicing Solution)	9/22/2022 <sup>a</sup>	Not yet determined

Source: GAO analysis of Next Gen FSA program documentation and data provided by FSA officials. | GAO-23-105333

<sup>a</sup>This date represents when FSA planned to implement the Interim Servicing Solution environment.

FSA reported that it has spent a total of \$502 million on the Next Gen program, as of June 2022. However, this amount does not include all program costs because FSA has not tracked government-related labor costs. Even with this omission, the amount reported has already exceeded FSA's September 2021 life cycle cost estimate of \$415 million.

FSA's schedule and cost shortcomings reflect its lack of alignment with GAO best practices. Specifically, FSA's cost estimation guidance does not fully address these practices. Further, the Next Gen program did not substantially or fully meet best practices for any of the key characteristics of a reliable cost or schedule estimate. Until these weaknesses are addressed, FSA cost and schedule estimates will continue to be unreliable. In turn, this will impair the ability of senior leadership to make informed decisions on the program's future.

Next Gen's school partnership project is intended to, among other things, deliver to schools a central point of access to FSA. In carrying out the project, FSA partially implemented each of the 11 selected best practices on project scope, system development quality, and stakeholder management. For example, although the project relied on performance reports to monitor system development quality, project officials did not verify that contractor deliverables met criteria specified in the contract prior to their acceptance. Until the project fully implements all selected best practices, its efforts are at risk of additional delays, cost increases, and system capabilities that do not meet schools' needs.