



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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MANPOWER AND WELFARE
DIVISION

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The Honorable
The Secretary of Health,
Education, and Welfare

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Dear Mr. Secretary:

We are in the process of reviewing the Office of Education's Basic Educational Opportunity Grant program authorized by the Higher Education Act of 1965, as amended, (20 U.S.C. 1070). Under the Basic Grant program, students may apply for grants to help defray the cost of postsecondary education.

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Our goal is to determine how well the program is meeting its legislative objectives and how well the Office of Education is administering it. Work locations include the Office of Education headquarters, the American College Testing Program (the contractor that processes applications for Basic Grant assistance), State scholarship agencies, student financial aid interest groups, and secondary and postsecondary educational institutions.

Although our fieldwork is not yet completed, we have identified one area which we believe warrants your early attention. Processing of Basic Grant applications could be improved by using a mark-sense application instead of the existing form, which requires keypunching. This change should not cause students or parents any inconvenience in applying for Basic Grants and should result in (1) faster processing during peak periods, (2) lower error rates during processing, and (3) significant cost savings.

CURRENT SITUATION

Since the Basic Grant program started in the 1973-74 academic year, the Office of Education has required applicants to provide personal and financial information in a format designed for keypunch processing. Students submit applications to an American College Testing Program subcontractor which then processes the applications. The number of applications processed has increased steadily from nearly 513,000 in 1973-74 to an estimated 3,000,000 in 1976-77.

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In 1973, the contractor proposed that mark-sense processing, in which answers are recorded on forms using ordinary soft lead-pencil markings, be used for the Basic Grant program. In the mark-sense process, optical scanning equipment reads the data and transcribes it directly onto magnetic tape. The contractor's experience with millions of these forms, showed that mark-sense data can be processed faster and more economically than forms requiring keypunch processing.

The contractor's proposal was rejected by the Office of Education because it believed that introducing both a new form and a new student aid program simultaneously was risky, especially considering the socio-economic level of expected applicants. Also, the Office of Education believed that parents would not understand a mark-sense form and that technical problems existed relating to designing and printing the form. Recently, we met with Office of Education officials to discuss the possibility of using mark-sense forms. Although the use of mark-sense has not been studied since 1973, these officials still maintain that a keypunch form is easier for students and parents to complete. They stated that in some areas of the country mark-sense is not widely used and could be especially difficult for students and parents.

MARK-SENSE SEEMS TO BE
A MORE ECONOMICAL, PRACTICAL,
AND EFFICIENT PROCESS

In the initial stages of our work, we met with contractor officials to discuss the use of mark-sense applications. They said that by using mark-sense, processing time for an application would be reduced by an estimated 15 days during peak periods, thus allowing students to be notified sooner of their eligibility. Also, processing errors would be reduced because optical scanning equipment rather than human keypunchers transcribes the data.

The contractor estimated that costs could be reduced by 22 to 27 cents for each application processed. This savings would be offset by additional printing cost of about .005 cents for each application. Thus, based on the volume of 1976-77 Basic Grant applications to be processed, we estimate that net savings could have been between \$580,000 and \$730,000 if mark-sense processing had been used. This estimate is based upon printing 15,270,000 applications and processing about 3,000,000 of them.

Two of the seven largest State scholarship organizations, Illinois and Michigan, use mark-sense in processing State scholarship applications. Because the two States' experiences in adopting mark-sense are similar, we will describe only Illinois' experience.

Before 1974 the Illinois State Scholarship Commission, which provides educational loan and grant assistance to State residents, used an application form requiring keypunch processing. However, the Commission found that, besides being quite costly, the process was time consuming, especially during peak periods.

Since the Commission adopted a mark-sense form, processing time has greatly decreased. The length of time from application receipt to award determination has been cut from a range of 60 to 180 days to 3 to 45 days. The Commission had not made comparative studies of processing costs and error rates but Commission officials told us that both had decreased since the change to mark-sense processing. For the 1974-75 school year, the Commission processed about 134,000 applications and made about 77,000 awards totaling \$58.4 million.

MARK-SENSE IS WIDELY USED

We recognize that any decision regarding the use of mark-sense should be based not only on technical efficiency and cost benefits but also on ease of preparation by and accuracy of student and parent responses. The evidence we gathered indicates that potential student and parent problems with the form would be minimal.

Mark-sense forms are used in standardized, nationwide entrance and achievement tests at the elementary, secondary, and postsecondary levels. In addition, students and parents from various geographic areas use mark-sense forms in requesting the American College Testing Program to determine the need for financial assistance to meet the cost of postsecondary education. This determination is called needs analysis and is similar to that used for Basic Grants.

Most school financial aid officials at the institutions included in our initial audit effort, believed that students could deal with mark-sense procedures. This view is supported by a Northwestern University professor's study, which concluded that applicants could complete a mark-sense application about as accurately as a form requiring keypunching. This conclusion was based on three assumptions:

- (1) a series of routine checks would be necessary on incoming machine-scored data,
- (2) enough personnel would be available to correct the forms that the computer noted as potentially erroneous, and

- (3) a two-page mark-sense application would be used to minimize page congestion and small printing.

When the Illinois State Scholarship Commission decided to test a mark-sense application form, representatives met with a number of students with varied social and economic backgrounds to determine their reaction to the form. No major problems were expressed. The Commission believes that concerns about parents' potential problems with the form are unwarranted because, in reality, many students help their parents complete the forms.

The professor's study and most of the financial aid and State scholarship officials we talked with, favor the use of mark-sense for the Basic Grant program.

CONCLUSIONS AND RECOMMENDATION

As the Basic Grant program continues to grow, increased emphasis should be placed on systems to reduce administrative costs and better serve students applying for grants. A mark-sense system of processing applications seems to offer several advantages over the existing keypunch approach.

Accordingly, we recommend that you consider adopting mark-sense processing of the Basic Grant applications. When considering such a change, careful attention should be given to experience gained since the program started so that any design for new applications will provide the best mode for data verification.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this letter to the House and Senate Committees on Appropriations and Government Operations; the appropriate legislative committees of the Congress; and the Director of the Office of Management and Budget. Copies are also being sent to the Assistant Secretary for Education; the Assistant Secretary, Comptroller; and the Commissioner of Education.

We would appreciate receiving your comments on the matters discussed in this letter and on any actions taken on our recommendation.

Sincerely yours,



Gregory J. Hart
Director