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# DEPARTMENT OF EDUCATION

# Challenges in Promoting Access and Excellence in Education

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# Department of Education: Challenges in Promoting Access and Excellence in Education

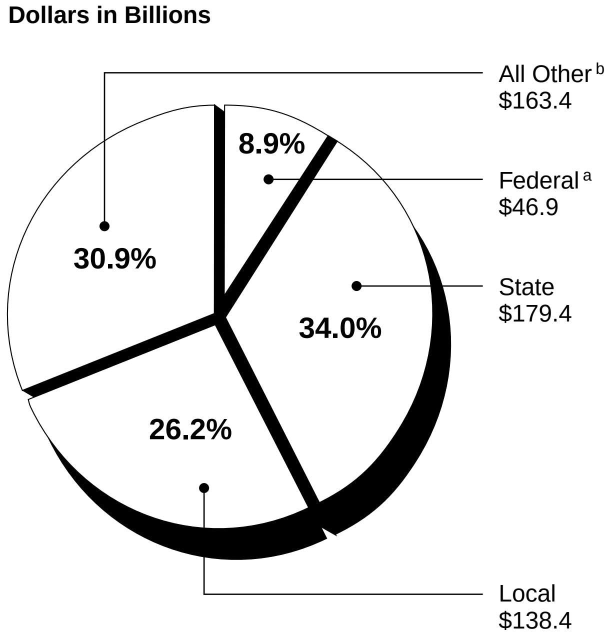
Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss several challenges the Department of Education faces in carrying out its mission in a cost-efficient and effective manner.

The Department was created in 1980 with a mission that involves two major kinds of institutions in which education is provided: (1) elementary and secondary schools and (2) postsecondary institutions. With a staff of about 4,600 in fiscal year 1997 and a budget of about $29 billion, the Department manages the federal investment in education and leads the nation's long-term effort to improve the quality of education. Specifically, the Department promotes access and equity in education, provides financial aid to postsecondary students, and develops information and provides research on best practices to improve the quality of education.

With the Department's support, education is a state responsibility under local control. As shown in figure 1, the nation spends more than $500 billion a year on education, with state, local, and private expenditures accounting for about 91 percent of this spending.

**Figure 1: Total Expenditures for Education in the United States, 1995-96**



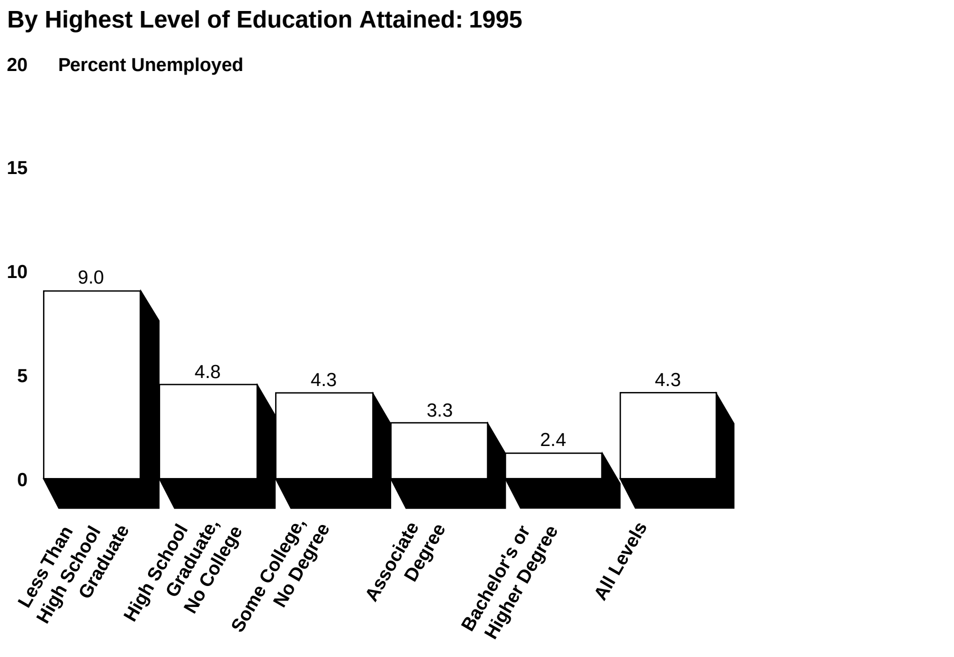

[a]Includes expenditures of all federal agencies.

[b]Federally supported student aid that goes to higher education institutions through students' tuition payments is shown under "All Other" rather than under "Federal." Such payments would add substantial amounts and several percentage points to the federal share.

Source: U.S. Department of Education.

Although the cornerstone of our nation's future is a sound educational system that meets the diverse needs of all Americans, some 2,000 students drop out of school each day, and large numbers of students graduate from school lacking the skills sought by employers. The strength of international competition has reinforced the link between education and employment, which is shown in figure 2.

**Figure 2: Unemployment Rates of People 25 Years of Age and Older by Highest Level of Education Attained, 1995**




Source: U.S. Department of Education.

At the same time, the nation's school-age population has become increasingly poor, racially and ethnically diverse, and at risk of school failure. In addition, the Department has had a history of management problems. We identified significant operational deficiencies in our 1993 management review and our high-risk series[1] that affect the Department's ability to protect the financial interests of the government and to manage itself efficiently and effectively. The current environment places considerable pressure on the Department to correct these deficiencies. The public is demanding more accountability from government agencies—more assurance that tax dollars are not being wasted and that government is operated in accordance with sound management practices.

Today, I would like to discuss two major challenges the Department faces in achieving its mission: first, ensuring access to postsecondary institutions, while at the same time protecting the financial interests of the government, and second, promoting access to and excellence in

[1]High-Risk Series: Guaranteed Student Loans (GAO/HR-93-2, Dec. 1992); High-Risk Series: Student Financial Aid (GAO/HR-95-10, Feb. 1995); and High-Risk Series: Student Financial Aid (GAO/HR-97-11, Feb. 1997).

elementary, secondary, and adult education. In addition, I want to discuss how the Department's ability to meet these challenges could be enhanced by the improved management that the Congress envisioned in passing recent legislation. My discussion today is based on work we have done over several years.[2]

Although the Department has made progress in ensuring access to postsecondary education and in providing financial accountability, challenges remain, especially in providing educational access to low-income and minority students in an era of rising tuition costs and in protecting the financial interests of the federal government. The student aid programs make available billions of dollars in loans and grants to promote access to education. But these programs continue to be hampered by problems with process complexity, structure, and program management. The student aid process is a complicated one—it has several participants who play different roles as well as various processes for each of the grant or loan programs. The federal government continues to bear a major portion of the risk for loan losses. Moreover, management shortcomings, especially inadequate management information systems that contain unreliable data, contribute to the Department's difficulties.

The Department also faces challenges in promoting access to and excellence in preschool, elementary, secondary, and adult education programs. Through leadership and leverage, the Department works with states and local education agencies to effect changes intended to improve the nation's educational system. Demonstrating accountability is dependent on having clearly defined objectives, valid assessment instruments, and accurate program data. However, in some instances, the Department does not have these prerequisites. For example, in our work on programs funded under the Adult Education Act, we found that the Department had difficult ensuring accountability for results, primarily because the programs did not have clearly defined objectives. In addition, it is unclear whether the Department has the resources it needs to manage its funds, including funds for the proposed Partnership to Rebuild America's Schools Act of 1997 and for helping schools integrate technology into the curriculum to make students technologically literate. Similarly, the Department only has selected information on the implementation of the title 1 program, the largest single federal elementary and secondary grant program, for which $7.7 billion was appropriated in fiscal year 1997. Thus, the Department does not have the informational basis to determine whether mid-course changes are necessary.

[2]A list of related GAO products appears at the end of this testimony.

In meeting these challenges, the Department will need to improve its management. Major pieces of recent legislation provide powerful tools in the form of a statutory framework for improving agency operations and accountability. These laws include (1) the 1993 Government Performance and Results Act (GPRA), which requires agencies to focus on results as they define their missions and desired outcomes, measure performance, and use that information to improve programs; (2) the expanded Chief Financial Officers (CFO) Act, which requires agencies to prepare financial statements that can pass the test of an independent audit; and (3) the 1995 Paperwork Reduction Act and the 1996 Clinger-Cohen Act, which are intended to help agencies better manage their information resources and make wiser investments in information technology. The Department has made progress in implementing these laws, but work remains to be done before the goal of improved management can be reached.

## Background

The Department of Education's basic functions are to provide financial resources, primarily through student loans and grants for higher education; provide research and information on best practices in education; and ensure that publicly funded schools and education programs observe civil rights laws.[3] It administers a variety of grant and contract programs that provide aid for disadvantaged children; aid for children and adults with disabilities; student loans and grants for higher education; vocational and adult education; and research and evaluation, as well as a variety of smaller programs, such as the gifted and talented education program.

According to its own data, the Department currently administers approximately 180 programs, including the federal student financial aid programs established under title IV of the Higher Education Act of 1965, as amended (HEA). These programs—the Federal Family Education Loan Program (FFELP), the Ford Direct Loan Program (FDLP), the Federal Pell Grant Program, the Federal Perkins Loan Program, and several smaller financial aid programs—fund approximately 75 percent of all postsecondary student financial aid in the nation. The two largest elementary/secondary programs are title I of the Elementary and

[3]The Department, through its Office for Civil Rights, is responsible for enforcing the following civil rights laws as they relate to schools at all levels: (1) title VI of the Civil Rights Act of 1964, which prohibits discrimination on the basis of race, color, or national origin; (2) title IX of the Education Amendments of 1972, which prohibits discrimination on the basis of sex in education programs and activities; (3) section 504 of the Rehabilitation Act of 1973, which prohibits discrimination on the basis of disability; (4) the Age Discrimination Act of 1975, which prohibits discrimination on the basis of age; and (5) title II of the Americans With Disabilities Act of 1990, which prohibits public entities from discriminating on the basis of disability.

Secondary Education Act, which helps support the education of over 6 million disadvantaged children in more than 50,000 schools nationwide—about one-half of the nation's public schools—and special education programs that assist over 5 million children with disabilities from birth through age 21 in meeting their educational and developmental needs.

For fiscal year 1997, the Department has an estimated budget of $29.4 billion and is authorized 4,613 full-time-equivalent (FTE) staff-years. The administration's fiscal year 1998 budget request is for $39.5 billion and 4,560 FTE staff. This represents an increase of about $10 billion, $5 billion of which the administration wants to use to assist states in acquiring funds for school construction.

The Department's spending for education leverages well beyond its budget authority. For example, the fiscal year 1998 budget request of $12.7 billion for postsecondary student aid programs is expected to generate $47.2 billion for more than 8 million students. And $4 billion in federal appropriations for special education is expected to leverage about $29.5 billion in state and local funds.

## Ensuring Access to Postsecondary Institutions While Protecting Federal Financial Interests

Through its student aid programs, the Department has enabled millions of students to attend postsecondary educational institutions; however, the current economic conditions make continuing to ensure such access difficult. Rising tuition, coupled with the shift to providing loans instead of grants, could result in fewer low-income and minority students' staying in college. At the same time the Department is concerned with access, its ongoing challenge is to improve its processes to ensure financial accountability in its postsecondary student aid programs, particularly FFELP, FDLP, and the Pell Grant Program. In 1990, we designated the student financial aid program one of 17 federal high-risk programs likely to cause the loss of substantial amounts of federal money because of their vulnerabilities to waste, fraud, abuse, and mismanagement. Although the Department has acted to correct many problems and improve program controls, significant vulnerabilities remain, and we have included the student financial aid program in our 1997 list of 25 high-risk programs.

### Ensuring Equal Access Is Becoming More Difficult

The Department's success in meeting one of its major challenges—ensuring access to postsecondary institutions—is critical to the economic well-being of the nation's citizens. As shown in figure 2, level of education is closely linked to unemployment. In addition, level of education is a strong determinant of wage earnings. For example, college graduates earn much more than those with only a high school education, and the differential has been increasing. According to Department data, in 1985 the median annual income of full-time male workers 25 years and over was $41,892 for college graduates and $26,609 for those with high school diplomas only, a difference of $15,283. By 1994, the difference between these two groups had grown to $21,191. Low-income and minority students have traditionally been underrepresented among college students, and access is becoming more and more problematic as the cost of attending college increases. For example, as we reported to the Congress in August 1996,[4] a public college education has become less affordable in the last 15 years as tuition has risen nearly three times as fast as household income. The average tuition for full-time in-state students increased from $804 per year to $2,689, or 234 percent, and median household income, from $17,710 to $32,264, or 82 percent. Students and their families have responded to this "affordability gap" by drawing more heavily on their own financial resources and increasing their borrowing. For example, the annual average student loan at 4-year public schools rose from $518 per full-time student in fiscal year 1980 to $2,417 in fiscal year 1995, an increase of 367 percent, which is almost five times the 74-percent increase in the cost of living—as measured by the consumer price index—for the same period. If this trend continues, rising tuition levels may deter many students from attending college.

The Department's primary mechanism for ensuring access to postsecondary institutions is the federal student financial aid programs—principally FFELP, FDLP, and the Pell Grant Program. While federal student financial aid has been substantial in the past, recent trends may inhibit broader college access. A growing proportion of federal aid has taken the form of loans rather than grants since the 1970s. For example, from 1977 to 1980, grant aid exceeded loan aid; since 1985, however, loan aid has been about twice the amount of grant aid. With federal grant aid declining in relative terms, students and their families have had to shoulder a greater share of college expenses. Many policymakers have expressed concern that this trend in college costs and in financial aid patterns, which increases students' net costs for higher education, has diminished college access—both entry and attendance through graduation—for low-income students.

[4]Higher Education: Tuition Increasing Faster Than Household Income and Public Colleges' Costs (GAO/HEHS-96-154, Aug. 15, 1996).

Our work supports this belief with respect to attendance through graduation.[5] We concluded from our work that financial aid packages with relatively high grant levels may improve low-income students' access to higher education more than packages that rely more on loans. In addition, our analysis indicated that the sooner low-income students receive grant assistance, the more likely they are to stay in college. We found that grants were most effective in reducing low-income students' dropout probabilities in the first year. For these students, an additional $1,000 grant reduced the dropout probability by 23 percent. In the second year, the additional grant reduced dropout probability by 8 percent, while in the third year it had no statistically discernable effect. Therefore, we believe that restructuring federal grant programs to feature frontloading[6] could improve low-income students' dropout rates with little or no change in each student's overall 4-year allocation of grants and loans. We suggested that, if the Congress was interested in increasing the number of low-income students who stay in college, it could direct the Department to conduct a pilot program for frontloading federal grants. The Congress has yet to act on this suggestion.

## Recurring Problems Hamper the Department's Ability to Protect Federal Financial Interests

Although major federal student aid programs, such as FFELP, FDLP, and the Pell Grant Program, have succeeded in providing students access to billions of dollars for postsecondary education, our work has shown that the Department has been less successful in protecting the financial interests of U.S. taxpayers.[7] For example, in fiscal year 1996, while the Department made more than $40 billion available in student aid, the federal government paid out over $2.5 billion to make good its guarantee on defaulted student loans.

The Congress addressed many of the student aid deficiencies that we, the Department's Office of Inspector General (OIG), and others had identified in the past through the 1992 and 1993 amendments to HEA. For example, the amendments required that financial and compliance audits of guaranty

[5]Higher Education: Restructuring Student Aid Could Reduce Low-Income Student Dropout Rate (GAO/HEHS-95-48, Mar. 23, 1995).

[6]Frontloading grants entails giving students mostly grant aid in the first year and increasingly substituting loan aid in subsequent years, culminating in an aid package consisting mostly of loans in the final school year.

[7]GAO/HR-97-11, Feb. 1997; Financial Audit: Federal Family Education Loan Program's Financial Statements for Fiscal Years 1994 and 1993 (GAO/AIMD-96-22, Feb. 26, 1996); Student Financial Aid: Data Not Fully Utilized to Identify Inappropriately Awarded Loans and Grants (GAO/HEHS-95-89, July 11, 1995); and Financial Management: Education's Student Loan Program Controls Over Lenders Need Improvement (GAO/AIMD-93-33, Sept. 9, 1993).

agencies be conducted annually rather than every 2 years. The Department also has planned and taken a number of actions to correct its financial accountability problems, such as reorganizing the Office of Postsecondary Education to permit it to better administer and oversee federal student aid programs and developing several new information systems to provide more accurate and timely information. Many of the Department's actions are likely to have played a major role in reducing the amount of student loan defaults from $2.7 billion in fiscal year 1992 to $2.5 billion in fiscal year 1996 and in increasing collections on defaulted student loans from $1 billion in fiscal year 1992 to $2.1 billion in fiscal year 1996. However, the Department's actions have not completely resolved many of the underlying problems, and, therefore, vulnerabilities remain.

At the core of the Department's financial accountability difficulties are persistent problems with the individual student aid programs' processes, structure, and management. These problems include (1) overly complex processes, (2) inadequate financial risk to lenders or state guaranty agencies for defaulted loans, and (3) management shortcomings.[8]

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

The structure of the student aid programs makes protecting the financial interests of the government difficult for the Department for two reasons. First, because HEA placed nearly all the financial risk for defaults on the federal government, it continues to bear a major portion of the risk for FFELP and FDLP loan losses. And, although the 1992 and 1993 amendments to HEA established slightly more risk sharing, the current structure still makes protecting the taxpayers' financial interests difficult. Protecting the financial interests of the government is also difficult because the loan

[8]GAO/HR-97-11, Feb. 1997.

programs now serve more students from low-income families and those attending proprietary schools than in the past. As the number of these higher-risk borrowers has increased, so has the number of defaults. Both of these conditions enhance access for low-income students, yet a tension exists because they jeopardize financial accountability.

Management shortcomings also continue as a major problem and contribute to the Department's financial accountability difficulties. In the past, congressional hearings and investigations, reports by the Department's OIG, our reports, and other studies and evaluations have shown that the Department (1) did not adequately oversee schools that participated in the programs; (2) managed each title IV program through a separate administrative structure, with poor or little communication among programs; (3) used inadequate management information systems that contained unreliable data; and (4) did not have sufficient and reliable student loan data to determine the Department's liability for outstanding loan guarantees. These problems cannot be quickly or easily fixed. The Department has taken many actions, such as improving gatekeeping procedures for determining which schools may participate, to address these problems. However, the Department's management problems, such as administrative inefficiencies resulting from the separate administrative structures used to manage each title IV program, have not yet been resolved.

## Improved Gatekeeping Has Somewhat Enhanced Protection of Federal Financial Interests

We testified before this Subcommittee last June on issues related to "gatekeeping"—the process for ensuring that students are receiving title IV aid to attend only schools that provide quality education and training.[9] At that time, we noted the history of concern about the integrity of title IV programs stemming from our work, that of the Department's OIG, and the Congress—work that led to the conclusion that extensive abuse and mismanagement existed in these programs. For example, some schools received Pell grant funds for students who never applied for the grants or enrolled in or attended the schools. In one instance, a chain of proprietary schools falsified student records and misrepresented the quality of its educational programs to increase its revenues from students receiving Pell grants.

In recent years, the Congress has enacted legislation to improve oversight of participating schools by such means as setting maximum default rates

[9]Higher Education: Ensuring Quality Education From Proprietary Institutions (GAO/T-HEHS-96-158, June 6, 1996).

that schools cannot exceed and still participate in the title IV programs. Legislation also has strengthened the role of the Department, states, and accrediting agencies—referred to as “the triad”—in determining school eligibility. HEA recognizes the triad as having shared responsibility for gatekeeping. As part of this triad, the Department (1) verifies schools’ eligibility and certifies their financial and administrative capacity and (2) grants recognition to accrediting agencies.[10] The Department has improved the gatekeeping process by such actions as requiring all schools to have annual financial and compliance audits, increasing the number of program reviews, hiring additional staff to conduct the reviews, and beginning to develop a new database of school information to help Department staff monitor schools’ performance.

Nevertheless, as we reported in our recent high-risk report,[11] several weaknesses continue to cause concern. For example, the Department’s OIG identified problems with the recertification process that could increase the likelihood that schools not in compliance with eligibility requirements are able to continue to participate in title IV programs. A review of a sample of Department recertification actions showed that 27 percent of schools sampled had violations such as unpaid debts or failures to meet financial responsibility requirements.[12] The Department acknowledged that some recertifications should not have been made and stated that it was taking action to make current financial data available for future recertification reviews.

The Department is also implementing a gatekeeping initiative designed to focus resources on high-risk schools: the Institutional Participation and Oversight Service (IPOS) Challenge. Under the IPOS Challenge, the Department plans to use a computer model to identify schools for review on the basis of their risk of noncompliance. Because this initiative has only recently been undertaken, it is too soon to assess its effectiveness.

[10]For their part, states license and use a variety of approaches to regulate schools in the normal course of regulating commerce within their borders, and accrediting agencies provide nongovernmental, peer evaluation of schools and programs to ensure a consistent level of quality.

[11]GAO/HR-97-11, Feb. 1997.

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

## Challenges in Promoting Access and Excellence in Elementary, Secondary, and Adult Education Programs

Excellence in education in America has become a major concern for the public, and both the Congress and the Department have promoted initiatives to improve the quality of American education. These efforts include improving the quality of the physical environment in which students learn, ensuring schools have the ability to use the technology needed to provide children with an education appropriate for the 21st century, creating and promoting national standards to shape curriculum and guide test development in order to measure reading and math achievement, supporting efforts to improve the quality of teachers and teacher preparation programs, and ensuring equal access to education. Major legislative efforts, such as Goals 2000: Educate America Act, the Improving America's School Act, and the School-to-Work Opportunities Act, are examples of efforts focusing on improving the quality of America's public education.

Because the federal role in funding elementary and secondary education is relatively small, and states and local governments have the primary responsibility for and control of education programs, the Department faces a significant challenge in ensuring access and promoting excellence. Its tools are providing leadership, financial leverage, and technical assistance and information. The Department exercises leadership by shining a spotlight on important national education issues, facilitating communication on quality issues, and fostering intergovernmental and public/private partnerships. However, when one considers how it leverages resources and provides technical assistance and information, the extent to which Department funds are fostering excellence and are being spent efficiently and effectively is unclear. Two questions arise: Does the Department of Education know if its programs are working? And does the Department have the resources to manage its funds and provide the needed information and technical assistance?

### More Information Is Needed to Determine How the Department's Programs Are Working

The Department is responsible for funding over $22 billion in elementary and secondary programs, including title 1, special education, vocational education, adult education, and Safe and Drug Free Schools. A major challenge facing the Department is ensuring that these programs are providing the intended outcomes. To do this the Department's programs must have clearly defined objectives and complete, accurate, and timely program data.

Title 1 of the Elementary and Secondary Education Act is the largest federal elementary and secondary education grant program, with about

$7.7 billion appropriated in fiscal year 1997. Its purpose is to promote access to and equity in education for low-income students. The Congress modified the program in 1994, strengthening its accountability provisions and encouraging the concentration of funds to serve more disadvantaged children. At this time, the Department does not have the information it needs to determine whether the funding is being targeted as intended. Although the Department has asked for $10 million in its fiscal year 1998 budget request to evaluate the impact of title 1, it has only just begun a small study of selected school districts to look at targeting so that necessary mid-course modifications can be identified. The ultimate impact of the 1994 program modifications could be diminished if the funding changes are not being implemented as intended.

As another example, we found in our work on the programs funded under the Adult Education Act[13] that the State Grant Program, which funds local programs intended to address the educational needs of millions of adults, had difficulty ensuring that the programs met these needs. The lack of clearly defined program objectives was one of the reasons for the difficulty. The broad objectives of the State Grant Program give the states flexibility to set their own priorities but, as some argue, they do not provide states with sufficient direction for measuring results. Amendments to the act required the Department to improve accountability by developing model indicators that states could adopt and use to evaluate local programs. However, experts disagree about whether developing indicators will help states to define measurable program objectives, evaluate local programs, and collect more accurate data.

[13]The Adult Education Act was designed, in part, to help states fund programs to help adults acquire the basic skills needed for literate functioning, benefit from job training, and continue their education at least through high school. Grants are made to states on the basis of the number of people in each state who are at least 16 years of age, are not required to be in school, and lack a high school diploma.

## Additional Departmental Resources May Be Needed to Manage Funds and Provide Information and Technical Assistance

Recently, we have been examining two of the most basic elements of education—the financing systems that undergird public education[14] and the buildings within which education takes place.[15] For example, in our school facilities series, we documented that officials estimated that a third of our nation's schools had serious facilities problems and that it would take $112 billion to bring our schools into good overall condition. In February, the administration used our reports as the basis for proposing the Partnership to Rebuild America's Schools Act, which, if enacted, would be administered by the Department.

Several members of the Congress have raised issues associated with this proposed solution to improve schools' conditions, such as whether the types of financial and information management problems that we discussed earlier regarding postsecondary federal financial aid programs would develop in the administration of this new program, whether the Department has qualified staff to administer the program, and whether information systems to monitor it and account for the funds are available and operational.

The administration has also been promoting excellence and access by supporting technology, both through the leadership role of the President and the Office of the Secretary and through the technology programs the Department oversees. In the 1998 budget, the administration has doubled the amount of money requested for educational technology to help schools integrate technology into the curriculum in order to increase students' technological literacy and improve the quality of instruction in core subjects. In our facilities work, we found that schools had large technology infrastructure needs that the Department's Technology Literacy Challenge Grants would only start to address.[16] Again, as in the school construction situation, the Department is facing a large need with relatively small amounts of funds.

[14]School Finance: State Efforts to Reduce Funding Gaps Between Poor and Wealthy Districts (GAO/HEHS-97-31, Feb. 5, 1997); School Finance: Three States' Experiences With Equity in School Funding (GAO/HEHS-96-39, Dec. 19, 1995); School Finance: Trends in U.S. Education Spending (GAO/HEHS-95-235, Sept. 15, 1995); and School Finance: Options for Improving Measures of Effort and Equity in Title I (GAO/HEHS-96-142, Aug. 30, 1996).

[15]We documented the nature and extent of facilities' problems in our series on school facilities: School Facilities: Condition of America's Schools (GAO/HEHS-95-61, Feb. 1, 1995); School Facilities: America's Schools Not Designed or Equipped for 21st Century (GAO/HEHS-95-95, Apr. 4, 1995); School Facilities: Accessibility for the Disabled Still an Issue (GAO/HEHS-96-73, Dec. 29, 1995); School Facilities: States' Financial and Technical Support Varies (GAO/HEHS-96-27, Nov. 28, 1995); School Facilities: America's Schools Report Differing Conditions (GAO/HEHS-96-103, June 14, 1996); and School Facilities: Profiles of School Condition by State (GAO/HEHS-96-148, June 24, 1996).

[16]GAO/HEHS-95-95, Apr. 4, 1995.

## Statutory Framework for Improving the Department's Management Practices

Adopting improved management practices can help the Department become more effective in achieving its mission of ensuring equal access to education and promoting educational excellence. Recognizing that federal agencies have not always brought the needed discipline to their management activities, the Congress in recent legislation provided a framework for addressing long-standing management challenges. The centerpiece of this framework is GPRA; other elements are the 1990 CFO Act, the 1995 Paperwork Reduction Act, and the 1996 Clinger-Cohen Act. These laws each responded to a need for more accurate, reliable information for executive branch and congressional decision-making. The Department has begun to implement these laws, which, in combination, provide it with a framework for developing (1) fully integrated information about the Department's mission and strategic priorities, (2) performance data to evaluate progress toward the achievement of those goals, (3) the relationship of information technology investments to the achievement of performance goals, and (4) accurate and audited financial information about the costs of achieving mission outcomes.

## Efforts in Planning and Resource Management

The Department has a history of management problems. In our 1993 review of the Department, we identified operational deficiencies such as lack of management vision, lack of a formal planning process, poor human resource management, and inadequate commitment to management issues by the Department leadership.[17] In addition, financial and information management were serious problems throughout the Department, and not confined to postsecondary programs. Further, recent legislation—Goals 2000: Educate America Act, the School-to-Work Opportunities Act, and the Student Loan Reform Act—requires strong management improvements to support sound implementation.

In response to our recommendations as well as to new legislative responsibilities, the Department has taken steps to improve its management approach. It has developed a strategic plan that describes its mission, priorities, and performance indicators, using as its framework the key elements of GPRA. Specifically, it has begun the process of working with the Office of Management and Budget (OMB) to meet the GPRA requirement that agencies prepare strategic plans that establish long-term goals and develop annual performance plans linked to these long-term goals. GPRA also requires that agencies consult with the Congress and other stakeholders to clearly define their missions. Accordingly, the Department

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

has begun discussions with the Congress and others about the challenges it faces and the kinds of support it needs to move forward in achieving its goals.

According to OMB, the Department has developed a fairly broad plan. OMB raised two issues during its review of the plan: (1) the lack of specificity in program performance plans and (2) the extent to which the objectives and indicators were beyond the agency's span of control or influence. With respect to the first concern, during the past few months the Department has been developing specific performance plans for all programs. Regarding the second concern, the Department responded to OMB by describing the nature of its education goals and by recognizing that those goals are shared by many entities. According to the Department, the plan's objectives and indicators recognize the multilevel, intergovernmental nature of federal education support and the need for effective performance partnerships to achieve jointly sought outcomes. At the same time, the Department is updating the strategic plan and intends to differentiate those objectives and indicators that are under the Department's full control more clearly from those that require action from state education agencies, local districts, or postsecondary institutions for effective results.

Results-oriented management may also involve reviewing programs that have the same or similar goals and objectives, but continue to be administered separately by one or more federal agencies, to see whether opportunities exist to consolidate and improve efficiencies. When we testified before this Subcommittee 2 years ago,[18] we identified potential education program consolidation opportunities. Program consolidation could not only reduce administrative costs, but the Department could better focus its management resources on evaluating and improving the quality of its programs. For example, our review of federal programs that serve at-risk or delinquent youth revealed that 131 programs served this target group in fiscal year 1995, 10 of which were administered by the Department of Education.[19] This service delivery approach raises questions concerning efficiency. Our work suggests that efficiencies might be gained by having a smaller number of consolidated programs for at-risk or delinquent youth. For example, it would probably be more efficient to have one program covering a service/target-group combination,

[18]Department of Education: Information on Consolidation Opportunities and Student Aid (GAO/T-HEHS-95-130, Apr. 6, 1995).

[19]At-Risk and Delinquent Youth: Multiple Federal Programs Raise Efficiency Questions (GAO/HEHS-96-34, Mar. 6, 1996).

administered by a single federal office, than several programs administered by several different offices.

The Department is continuing its long-term efforts to streamline its operations. In its fiscal year 1998 budget request, it has proposed the elimination of 10 programs—representing more than $400 million in funding—that it believes have achieved their purpose; that duplicate other programs; or that are better supported by state, local, or private sources. Our work suggests that the Department needs to continue its efforts to eliminate duplicative or wasteful programs.

The CFO Act, as expanded, requires the Department of Education as well as the 23 other major federal agencies to prepare and have audited annual financial statements beginning with those for 1996. Fiscal year 1995 was the first year the Department prepared agencywide financial statements and had them audited. However, the independent auditor could not determine whether the financial statements were fairly presented because of the insufficient and unreliable FFELP student loan data underlying the Department's estimate of $13 billion for loan guarantees. Furthermore, because guaranty agencies and lenders have a crucial role in the implementation and ultimate cost of FFELP, the auditors stressed the need for the Department to complete steps under way for improving oversight of guaranty agencies and lenders. Until such problems are fully resolved, the Department will continue to lack the financial information necessary to effectively budget for and manage the program or to accurately estimate the government's liabilities.

In an effort to prepare auditable fiscal year 1996 financial statements, the Department's CFO has requested data from the top 10 guaranty agencies to be used as a basis for computing the liability for loan guarantees. In addition, the Department's independent auditor has developed agreed upon procedures to be applied by these agencies' independent auditors to test the reliability of the requested data. Uncertainty still exists as to whether this new methodology will work; decisions on the effectiveness of the approach will be made later this year once all the data are collected.

## Improving Information Resources Management Critical to Data Quality and Systems Integration

Our work has shown that the Department does not have a sound, integrated information technology strategy to manage its portfolio of information systems. It faces a particularly difficult challenge in improving its information systems for the student aid programs. The Department's National Student Loan Data System (NSLDS), which became partially operational in November 1994, enables schools, lenders, and guaranty agencies to transmit updated loan status data to the Department. However, the Department has not yet integrated the numerous separate data systems used to support individual student aid programs, often because the various "stovepipe" systems have incompatible data in nonstandard formats. As a result, program managers often lack accurate, complete, and timely data to manage and oversee the student aid program.

The lack of an integrated system also results in unnecessary manual effort on the part of users and redundant data being submitted and stored in numerous databases, resulting in additional costs to the Department as well as the chance for errors in the data. For example, a Department consultant showed that a simple address change for a college financial aid administrator would require a minimum of 19 manual and automated steps performed by a series of Department contractors who would have to enter the change in their respective systems from printed reports generated by another system. Another problem with this multiple-system environment is a lack of common identifiers for schools. Without these, tracking students and institutions across systems is difficult. The 1992 HEA amendments required the Department to establish common identifiers for students and schools not later than July 1, 1993. The Department's current plans, however, do not call for developing and implementing common identifiers for schools until academic year 1999.

Data integrity problems also exist. The lack of a fully functional and integrated title IV-wide recipient database hinders program monitoring and data quality assurance. For example, the current system cannot always identify where a student is enrolled, even after an award is made and thousands of dollars in student aid are disbursed.

Although the Department has improved its student aid data systems somewhat, major improvements are still needed. Both we and OIG reported in 1996[20] that the Department had not adequately tested the accuracy and validity of the loan data in NSLDS. During the past year, the Department has been developing a major reengineering project, Easy Access for Students and Institutions, to redesign the entire title IV student aid program delivery system to integrate the management and control functions for the title IV programs. Although activity on this project, which had waned in previous months, has recently been renewed, carrying out the project is expected to be a long-term undertaking.

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

The Department also faces a challenge in improving its agencywide information resources management, not just that related to the student aid programs. The legislative framework, especially that provided by the Clinger-Cohen Act, offers guidance for achieving goals in this area. The Clinger-Cohen Act requires, among other things, that federal agencies improve the efficiency and effectiveness of operations through the use of information technology by (1) establishing goals to improve the delivery of services to the public through the effective use of information technology; (2) preparing an annual report on the progress in achieving goals as part of its budget submission to the Congress; and (3) ensuring that performance measures are prescribed for any information technology that agencies use or acquire and that they measure how well the information technology supports Department programs. The Department could benefit greatly from fully implementing the law. Full implementation of the Clinger-Cohen Act would provide another opportunity to correct many of the Department's student financial aid system weaknesses as well as to improve other information systems that support the Department's mission.

The Clinger-Cohen Act also requires that a qualified senior-level chief information officer be appointed to guide all major information resource management activities. The Department has recently appointed an Acting Chief Information Officer and, according to OMB, is to be actively recruiting an individual to fill this position on a permanent basis. This individual is responsible for developing an information resources management plan and overseeing information technology investments.

In addition, the Department has highlighted the use of information technology for improved dissemination and customer service in its fiscal year 1998 budget summary. New initiatives include (1) a data warehousing effort that would simplify the internal use of databases, (2) a data conversion effort needed to comply with year 2000 requirements,[21] and (3) a modeling project to develop an architectural framework and uniform operating standards for all Department data systems to eliminate duplication in collection and storage of data.

## Conclusions

In carrying out its mission, the Department has a careful balancing act to perform. Education is a function reserved to the states, yet this federal department is expected to provide leadership on national education issues. For example, in fostering higher quality elementary and secondary

[21]This year GAO added the "year 2000" problem as a high-risk issue because of the complexities involved in changing computer systems to accommodate dates beyond the year 1999.

education, the Department can promote national standards for educational performance and teacher training—but not impose them. It is expected to provide state and local education agencies flexibility in using federal funds and freedom from unnecessary regulatory burden, yet it must have enough information about programs and how money is spent to be accountable to American taxpayers for the federal funds administered at the state and local levels. It is expected to monitor programs and provide technical assistance, but its resources may not be sufficient to provide reasonable coverage.

Although the Department has made progress in improving many management functions, it still has a long way to go. Over the years, our work has shown that the Department has not done a good job of minimizing risks and managing the federal investment, especially in postsecondary student aid programs. We also have concerns about whether the Department knows how well new or newly modified programs, like title 1, are being implemented; to what extent established programs are working; or whether it has the resources to effectively and efficiently provide needed information and technical assistance. Like other departments, the Department of Education needs to focus more on the results of its activities and on obtaining the information it needs for a more focused, results-oriented management decision-making process. GPRA, the CFO Act, and the Paperwork Reduction and Clinger-Cohen Acts give the Department the statutory framework it needs to manage for results.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions that you or members of the Subcommittee might have.

## Contributors

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