




UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

SEP 21 2001

INSPECTION MEMORANDUM

To: Greg Woods
Chief Operating Officer
Student Financial Assistance

From: Mary Mitchelson 
Assistant Inspector General
Analysis and Inspection Services

Subject: Review of Student Financial Assistance's Performance Plan
(ED-OIG/A&I 2001-02)

This memorandum provides the results of our review of Student Financial Assistance's (SFA) Performance Plan and draft Report. We conducted our inspection to determine whether:

- the goals contained in the SFA Performance Plan and draft Report comply with the requirements of the Higher Education Act of 1965 (HEA), as amended, and
- the two performance indicators used to measure progress toward achieving two of SFA's three goals - increasing customer and employee satisfaction - meet the requirements of the Government Performance and Results Act of 1993 (GPRA).¹

We found that the Performance Plan and draft Report do not have specific goals or indicators for two areas included in the HEA:

- improvement and integration of support systems, and
- delivery and information systems.

Moreover, while SFA's Performance Plan and draft Report include an improvement project list containing activities related to systems integration, they do not have a specific systems integration goal. Because of this omission, SFA's Performance Plan and draft Report do not fully satisfy GPRA reporting requirements.

We recommend that in its Performance Plan and Report, SFA include a systems integration goal that is objective, quantifiable and measurable.

¹ A third indicator, reducing unit costs, is not reviewed as part of this inspection.

SFA provided comments in response to our draft memorandum. We considered SFA's comments but did not change our recommendation.

HEA AND GPRA REPORTING REQUIREMENTS

Higher Education Act

In response to longstanding management weaknesses detailed in hearings on the modernization of student aid delivery, Congress mandated the establishment of a Performance-Based Organization (PBO) within the 1998 reauthorization of the HEA. It is a discrete management unit responsible for the operational functions supporting the SFA programs.

As defined in the legislation, the specific purposes of the PBO are:

- to improve service in the student financial assistance programs;
- reduce costs of administering the programs;
- increase accountability of officials;
- provide a greater flexibility in management;
- integrate information systems;
- implement an open, common, integrated delivery system; and
- develop and maintain a system containing complete, accurate and timely data to insure program integrity.²

The HEA requires the PBO to create a performance plan that "shall include a concise statement of the goals for a modernized system for the delivery of student financial assistance...." It further states, "the plan shall address the PBO's responsibilities in the following areas:"³

- improving service,
- reducing costs,
- improvement and integration of support systems,
- delivery and information systems, and
- other areas identified by the Secretary.

The HEA requires the Secretary and the Chief Operating Officer (COO) of the PBO to agree on an annual five-year performance plan. It also requires that the COO submit an annual report to Congress that, in part, includes: 1) the results achieved relative to the goals; 2) an independent financial audit of expenditures of both the PBO and the programs; and 3) the performance evaluation ratings and bonuses awarded to the COO and other senior officers.⁴

² Section 141(a)(2) of the Higher Education Act of 1965 (HEA), as added by the Higher Education Amendments of 1998.

³ Section 141(c)(1)(C) of the HEA.

⁴ Section 141(c)(2) of the HEA.

Government Performance and Results Act

Congress enacted the Government Performance and Results Act of 1993 to increase accountability for program results. Congress had found the lack of performance information hindered policymaking, spending decisions and oversight. GPRA requires agencies to submit to the Office of Management and Budget (OMB) an annual performance plan that expresses goals in an objective, quantifiable and measurable form.⁵

From the annual performance plans, OMB prepares a government-wide performance plan for inclusion in the President's annual budget submission to Congress. Finally, agencies must submit an annual program performance report to the President and Congress.

SFA's HEA AND GPRA REPORTING

Five-Year Performance Plan for HEA and Annual Performance Plan for GPRA

SFA's *Performance Plan FY 2001* is the annual five-year performance plan for the HEA requirement. It also serves as the annual performance plan submitted to OMB as part of the GPRA requirement. It discusses SFA's progress and expectations for the following goals:

- customer satisfaction,
- unit cost, and
- employee satisfaction.

The indicators for these goals are: 1) increase customer satisfaction; 2) reduce unit costs; and 3) increase employee satisfaction. The *Performance Plan FY 2001* also incorporates a new indicator: improve the integrity of the student financial aid programs. Unlike the indicators that are related to a specific goal and are measured, the integrity indicator is related to actions found in the plan's improvement project list.

The project list, which includes systems integration initiatives, is in the appendix of the plan. While clearly important, it is an unprioritized checklist of activities for the year. A separate sequencing plan provides a tentative timetable for the FY 2001 projects.

The *Performance Plan FY 2001* acknowledges the intent of the HEA legislation: "One of the core reasons for creating the PBO was to focus on the integration of our massive computer systems."⁶

The Modernization Blueprint

SFA's annual Modernization Blueprint addresses both the improvement and integration of support systems and the development of an integrated delivery and information system

⁵ Government Performance and Results Act of 1993, P.L. 103-62, sec. 4(b).

⁶ Performance Plan FY 2001, p.10.

to support student aid programs. No specific and measurable goals have been identified in the Modernization Blueprint for SFA's Performance Plan.

Similar to the Performance Plan, the Blueprint includes short-term activities and projects. SFA revises the Blueprint each year to incorporate new projects.

Annual Program Performance Report for HEA and GPRA

The *Student Financial Assistance Draft Annual Report 2000* discusses the progress toward achieving the goals of the performance plan and presents anecdotal evidence of customer and employee satisfaction.⁷

SFA also reports on its progress in completing its list of improvement projects. Although some projects appear more significant, each project is treated as having equal importance. Additionally, SFA includes in its project list some improvement projects that already exceed the stated goal.

For example, the project, "Process Free Applications for Federal Aid (FAFSA) with an average turnaround time of eight days or less," was listed as completed in the draft Report. When the goal was established in 1999, the average turnaround time was six days. Although the turnaround time according to the draft Report is currently averaging five days, the project with a goal of seven days is again included in the *Performance Plan FY 2001*.

ANALYSIS OF SFA'S HEA AND GPRA REPORTING

Five-Year Performance Plan for HEA, Annual Performance Plan for GPRA, and combined Annual Performance Report

The HEA defines the PBO's accountability to Congress and directs the PBO to address systems integration in its Performance Plan. Additionally, GPRA requires agencies to submit to OMB performance plans covering each program activity in the agency's budget. Given the estimated \$200-\$300 million cost of systems modernization and the history of the PBO mandate, a concise performance plan containing a specific and measurable goal that describes the results of SFA's efforts in systems integration and modernization is appropriate for Congressional oversight and OMB budget submissions.

The Office of Inspector General, in a series of memoranda dated from August through December 1999, expressed concerns that SFA's performance plan did not fully address the areas outlined in the HEA. Also, we stated the goals were not sufficient to meet GPRA requirements.⁸

⁷ The report also contains the independent financial statement audit and lists employee performance bonuses.

⁸ Memorandum "Comments on the December 7, 1999, draft of the Performance Plan for Student Financial Assistance 2000-2004," dated December 15, 1999, to Greg Woods from Lorraine Lewis. We also provided comments on the plan to Greg Woods in memoranda dated August 27, 1999 and September 3, 1999.

SFA disagreed and stated that a goal for systems integration was not needed because overall customer satisfaction and unit cost measures would improve if it were successful in systems integration.⁹ Subsequently, SFA indicated that because systems integration is a process, it would be inconsistent to designate it as a goal comparable to its current outcome measures of customer satisfaction, unit cost and employee satisfaction.

The HEA, however, requires SFA's Performance Plan to address its responsibilities in systems integration. SFA's current goals only provide indirect measurements that are insufficient to specifically demonstrate its progress in systems integration. In addition, GPRA does not limit agency performance plans exclusively to outcome measures. For example, the Federal Aviation Administration includes a specific systems modernization goal in its current plan.¹⁰

SFA's draft annual report for HEA and GPRA repeats the goals of the *Performance Plan FY 2001*. The draft report also provides a list of completed projects. This broad list of unprioritized projects, while important, cannot substitute for specific and measurable goals that would provide Congress with a clear indication the PBO is making progress in its core responsibilities. With the addition of a specific systems integration goal, the entire project list could then be prioritized under the goal most relevant to each project.

Customer Satisfaction Indicators

SFA did not measure customer satisfaction specifically regarding its progress toward the HEA goals of improvement and integration of support systems and delivery and information systems. Instead, it selected the American Customer Satisfaction Index (ACSI) to determine the level of customer satisfaction in the School, Student and Financial Channels,¹¹ using general questions to determine:

- customer expectations,
- perceived quality, and
- perceived value.

SFA received an average overall customer satisfaction score of 72.9 and stated that it was well ahead of schedule in improving customer satisfaction based on its stated goal of 74. Because SFA has reported only one score in this area, it is not yet possible to determine whether customer satisfaction has improved. So far, only a baseline has been established for future comparison.

SFA's score of 72.9 appears to reflect similar findings for the 30 government agencies measured by ACSI surveys. In general, ACSI surveys of government agencies find:

⁹ Memorandum "Comments on the revised draft of the Performance Plan for Student Financial Assistance, 2000-2004," dated September 7, 1999 to Lorraine Lewis from Greg Woods.

¹⁰ See <http://www.faa.gov/ara/perform/nasmod>.

¹¹ See Appendix B for details.

1) the quality of services received from federal agencies exceeds customers' expectations; 2) government employees receive high marks for courtesy and professionalism; and 3) satisfaction is highest when customers receive a direct benefit from an agency.¹²

ACSI's scores for key customer service segments of federal agencies range from 51 to 87. Regulatory agencies, like the Internal Revenue Service, are among the lowest-scoring agencies. Other federal agencies achieve customer satisfaction levels that equal or exceed many top-performing private sector companies. SFA's stated goal of an ACSI score of 74 is the average for the private sector financial industry.

Although the ACSI survey may adequately measure customer satisfaction in the areas of customer expectation, perceived quality and perceived value, it does not directly correspond to progress in systems integration. When the customers were asked if they had additional comments for the survey, they responded that major computer system changes were needed. SFA acknowledges that system improvements are necessary in order to deliver the kind of service customers expect.¹³

The ACSI score provides a general comparison to other agencies, but SFA's current goal of customer satisfaction is an intermediate outcome and does not present Congress with a specific and measurable indicator of progress in systems integration.

Employee Satisfaction Indicators

To assist in the transition to a PBO and increase employee understanding of their roles within the new organization, SFA contracted for various training services. To measure progress toward achieving increased employee satisfaction, SFA used government-sponsored surveys and the Gallop Organization survey. The 12-question survey that Gallop uses in the public and private sectors is designed to measure employee satisfaction and employee engagement with their jobs. In October 2000, SFA employees scored 3.5 out of 5; the government average is 3.4; the average for the private sector is 3.6. When the survey was repeated in April 2001, SFA's overall score was 3.7.

Employee satisfaction is an important link in SFA's stated mission: "We help put America through school." For that reason, measuring employee satisfaction is a valuable informational tool for management. As an indicator, however, increasing employee satisfaction provides only an indirect measure of the PBO's progress in accomplishing its systems integration responsibilities as stated in the HEA.

Modernization Blueprint

OIG has commented on the drafts of the Modernization Blueprint. We stated that the system plans existed at a highly conceptual level. The Blueprint is lengthy and complex, making it difficult for the reader to determine its immediate focus and goals. It does not

¹² ACSI Commentary, Special Report on Government Services, December 13, 1999.

¹³ Performance Plan FY 2001, p 5.

provide clear GPRA performance goals and measures describing what SFA is seeking to achieve.

Early in the establishment of the PBO, we recommended a “high level goal be developed to address the statutory mandate to modernize and integrate SFA information systems and reference that goal to the blueprint.”¹⁴ Such a high level goal, with appropriate referencing to the Blueprint, would improve SFA’s focus in measuring progress toward the reforms mandated by the HEA.

Although SFA is revising its Modernization Blueprint, the revised version was not released during the period of our review.

RECOMMENDATION

Congress and OMB share responsibility for reviewing the progress of one of the federal government’s first Performance-Based Organizations. SFA’s mission is critical because it delivers over \$50 billion in Federal aid annually to approximately 8.4 million students. For Congress, OMB and the Department to focus on results, SFA should provide a specific and measurable goal for systems integration and modernization.¹⁵

Therefore, we recommend that in its Performance Plan and Report, SFA include a systems integration goal that is objective, quantifiable and measurable.

SFA’s Reply

On September 4, 2001, SFA provided a written response to our draft report. SFA did not agree with our recommendation to include a systems integration goal in its Performance Plan that is objective, quantifiable and measurable. SFA stated that it is in compliance with HEA and GPRA with its current three goals and the information in its annual plan, Modernization Blueprint, and GPRA submissions. It noted that it cannot achieve its three outcome goals without modernizing and integrating the financial aid delivery systems. Therefore, SFA concluded that it is unnecessary to articulate systems integration as a separate goal.

While not agreeing with our recommendations, SFA did state that it will identify projects or efforts in its annual plan that further systems integration and modernization efforts. SFA reiterated its commitment to improving and integrating its systems and stated that its Modernization Blueprint articulates its plan for doing so.

SFA’s full response is included in Exhibit 1.

¹⁴ Memorandum “Comments on the draft of The Performance Plan for Student Financial Assistance 2000-2005,” dated August 27, 1999, to Greg Woods from Lorraine Lewis.

¹⁵ Secretary Rod Paige specifically included the goal of modernizing student aid delivery in his blueprint for management excellence outlined in a letter to the Honorable Charles Norwood and several other members of Congress dated May 16, 2001. See <http://www.ed.gov/News/Letters/010516>.

OIG Response

We acknowledge that SFA is committed to improving and integrating its systems. Because of the importance and expense of systems integration to SFA and Congress, however, we remain convinced that SFA should include a systems integration goal in its Performance Plan that is objective, quantifiable and measurable.

SFA raised some specific concerns in its response. SFA disagreed with our statement that its current goal of customer satisfaction provides only an intermediate outcome. We acknowledge that customer satisfaction is an outcome that assists SFA in measuring its progress toward achieving the end desired – system integration. It does not, however, measure the end itself. Measuring such characteristics as timeliness and courteousness does not specifically indicate SFA's progress in systems integration. ACSI's measurement of customer satisfaction could provide timely information if relevant survey questions were asked. As currently designed, however, customers can report on system integration and modernization only in the comment portion of the ACSI survey, which is not reflected in the numerical ACSI score.

SFA does not believe the Federal Aviation Administration performance plan is an example of an agency plan that includes modernization as a goal. Although it is correct that Goal Five, National Aerospace System (NAS) Modernization, is to be achieved by increasing efficiency as well as increasing safety and capacity, the goal also includes measures and strategies to achieve systems modernization.

SFA reports quarterly on the status of its goals and improvement projects. In its response, SFA stated that it intends to complete all the projects in the current fiscal year. SFA did not agree that it should prioritize these projects and maintained that all of the projects are important. Without prioritizing its projects, however, Congress is not provided with an objective measure of SFA's progress if SFA fails to fully complete its project list.

In our draft memorandum, we stated that the Modernization Blueprint is not included in the COO's performance evaluation or bonus consideration. SFA responded that the Blueprint's Sequencing Plan Summary, an appendix in the *Performance Plan FY 2001*, is part of the COO's performance contract with the Secretary. Although SFA does not report on the status of the Sequencing Plan, we have removed our reference to the COO's evaluation criteria.

We have not changed the recommendation in our memorandum.

We appreciate the cooperation shown by your staff during our inspection. If you have any questions regarding the results of the inspection, please call me at 260-3556.

APPENDIX A

Objectives, Scope and Methodology

The objectives of our inspection were to 1) determine whether SFA's Performance Plan is in compliance with the requirements of the HEA and 2) determine if the performance indicators used to measure progress toward achieving SFA's goals meet the requirements of GPRA. As part of our second objective we focused on the areas of customer satisfaction and employee satisfaction. The third indicator, reducing unit cost, was not reviewed as part of this inspection.

We reviewed the following documents to obtain an understanding of the legislative requirements and SFA's response to the requirements:

- The Higher Education Amendments of 1998;
- The Government Performance and Results Act of 1993.

The following documents were created by SFA as a response to the legislative mandates:

- Draft SFA Modernization Blueprint;
- Draft SFA Performance Plans;
- Draft 2000-2001 GPRA Performance Plan and Report;
- SFA Performance Plan FY 2001;
- Draft SFA Annual Report 2000.

We reviewed the following surveys and results to accomplish our second objective. SFA used them to measure improvement in the areas of customer and employee satisfaction:

- The American Customer Satisfaction Index (ACSI) customer satisfaction questionnaires and survey results;
- The Gallup questionnaires, results, and explanatory video;
- The NPR questionnaires and results.

We also looked at performance plans for other Federal agencies. Finally, we interviewed managers in headquarters to obtain information concerning services that SFA obtains through contracts. The interviews were conducted between January 22 and February 16, 2001.

This review was performed in accordance with the President's Council on Integrity and Efficiency (PCIE) Standards for Inspections dated March 1993.

I. Measuring Customer Satisfaction

The Free Application for Federal Student Aid (FAFSA) was measured separately as part of the Government-wide ASCI survey.

ASCI surveys also measured customer satisfaction in SFA's three channels:

Students Channel - ACSI measured customer satisfaction by sampling 250 respondents for each of the following processes: 1) 1-800 FEDAID;¹⁶ 2) the Student Guide; 3) Direct Loan Servicing; 4) Direct Loan Consolidation; and 5) Direct Loan Deferment and Forbearance.

Schools Channel - ACSI measured customer satisfaction by sampling 250 respondents in each of the following six possible combinations: 1) large, medium, and small schools using ED Express; and 2) large, medium, and small schools that do not use ED Express.

Financial Channel - ACSI measured customer satisfaction by sampling over 400 lenders to measure: 1) training/information systems; 2) financial transactions; 3) technical assistance; and 4) program eligibility. Due to technical problems, the results for the guaranty agencies and servicers could not be used.

II. SFA's 10 Business Processes

The ACSI survey questions measure customer satisfaction in the following 10 business processes:

Students Channel

- 1) aid awareness;
- 2) aid application;
- 3) loan repayment.

Schools Channel

- 4) origination and disbursement;
- 5) program eligibility;
- 6) program support;
- 7) financial transactions.

Financial Channel

- 8) program eligibility;
- 9) program support;
- 10) financial transactions.

¹⁶ The toll-free help line.



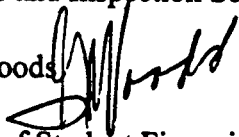
EXHIBIT 1

UNITED STATES DEPARTMENT OF EDUCATION
STUDENT FINANCIAL ASSISTANCE
WASHINGTON, D.C. 20202-5132

CHIEF OPERATING OFFICER

SEP -4 2001

TO: Mary Mitchelson
Assistant Inspector General
Analysis and Inspection Services

FROM: Greg Woods 

SUBJECT: Review of Student Financial Assistance's Performance Plan

Thank you for providing us with the opportunity to review and comment on the "Draft Inspection Memorandum, Review of Student Financial Assistance's Performance Plan." In the discussion that follows, we address the concerns you raised in the memorandum.

As you know, we believe that we are in compliance with Higher Education Act of 1965 (HEA), as amended, and the Government Performance and Results Act of 1993 (GPRA). The HEA requires that "the plan shall include a concise statement of the goals for a modernized system for the delivery of student financial assistance under title IV and identify action steps necessary to achieve such goals." We believe we address this in our plans; both in our Modernization Blueprint, and through the identification of specific projects and measures in our annual plan. In addition, the Modernization Blueprint's Sequencing Plan, which details specific actions and a timetable for those actions, is also included in the performance plan.

GPRA requires that each federal agency submit an annual performance plan that covers program activities set forth in its budget and expresses corresponding goals in an objective, quantifiable, and measurable form. However, GPRA does not mandate what these goals must be. Further, our previous GPRA submissions allowed us to discuss our modernization efforts in terms of strategy for achieving goals. This was done in both the strategic and programmatic versions of the Department's GPRA submissions; however, the 2002 interim format—as developed by the Department-- did not allow for such discussions. We are told that a new Department Five-Year Plan will be issued in FY 2002, which should allow for strategy discussions.

While we do not agree with your recommendation that the Performance Plan and Annual Report include a systems integration goal as one of our balanced scorecard objectives, we will identify projects or efforts that are furthering our systems integration and modernization efforts in our annual plan. We will also discuss in the textual portion of the plan the importance of these efforts.

We want to reiterate our basic arguments and philosophy why we believe it is not necessary to elevate system integration efforts to a balanced scorecard goal. SFA is committed to achieving the balanced scorecard objectives set forth in its five-year plan to: improve customer satisfaction, improve employee satisfaction, and reduce costs. These are outcomes—exactly responding to the intent of the GPRA. SFA cannot achieve these end-state goals or outcomes without

modernizing the financial aid delivery system and integrating the existing stove-piped systems. Systems integration is the way to a means or result, not an end in itself. For example, when two large banks merge, they don't integrate their systems just to integrate. They do it to ensure that customers' data are accurate so that a certain level of service can be delivered.

Since achievement of the balanced scorecard goals is so closely tied to systems integration and modernization, SFA has not felt it necessary to articulate it as a separate goal. In fact, this is consistent with the balanced scorecard philosophy used in so many of today's most productive companies. The balanced scorecard attempts to tease out and focus only on primary strategic outcomes. It does not advocate the need to detail every intricate strategy and tactic. It also attempts to avoid the articulation of overlapping goals. This is purposeful, so that the organization focuses on its most important efforts and remains flexible and fluid in how they will achieve them.

This is not to say that SFA has not articulated its integration and modernization vision in its plans. In fact, SFA's road map for demonstrating "how we are going to get there" is so important that we have provided it in a separate Modernization Blueprint document. Our integration efforts are purposeful; we are not integrating for the sake of integrating. Because technology and the environment in which our customers operate is changing so rapidly, we do not want to waste money by building another large government system that takes three years to build and in the end is outdated and is out of step with our customers' needs when it is delivered. We want to do what's right for our customers--so we talk to them. That's why our modernization plans are based upon the "build a little, and test a little" philosophy. We have set basic direction and vision for where we want to go, but our plan is continually evolving. We will implement improvement in a step-wise fashion --we'll implement pieces at a time, evaluate, adjust if necessary, to achieve our intended results.

For example, to fully maximize the customer satisfaction and cost reduction benefits of electronic filings, we needed to incorporate the electronic replacement of the signature, the Personal Identification Numbers (PINs), into our processes. We started developing a process to achieve this in our FAFSA on the Web. We then used this same process so that customers could use the same PIN for our Web-based Direct Loan Servicing features. In turn, customers are using this same PIN for the electronic P-Note process. Schools and other parties will use the same process to access our various customer-based portals and web sites. The point is, we built a process that we can use over and over again as the need arises, rather than extensively modifying or recreating systems each time we want to make a change.

Another example is our Common Origination and Disbursement (COD) System that when fully implemented will replace three existing systems with one. The new system uses a technology that will allow us to provide a new, single, front-end interface for participating schools, while we continue to integrate our three legacy systems in a step-wise fashion and follow our "build a little, and test a little" philosophy. The technology architecture is the key to the success. What makes this possible is "middleware" that will sit atop our legacy systems and the "common record" built using XML technology. Combined they allow schools to send us information in varying formats so that the data can be converted to information our systems can understand -- regardless of format. This will allow schools to migrate to the COD process, as they are ready, and allow us to monitor key interfaces without impacting normal operations.

Creating an integrated SFA Portal Strategy to provide unique views for all of our business channels and customers is another example of how we are integrating our data systems. The Web portals will pull data from a variety of data sources and present the information in a consolidated fashion—the way the customers want to see it. The schools web portal—the first to come on line—was launched in February 2001. Middleware is the technology solution that makes our web portals possible.

As one can tell from many of our recent accomplishments, SFA is committed to improving and integrating our systems. Because we do not articulate a separate goal for systems integration in the balanced scorecard, does not mean that it isn't a priority. In fact, it is a necessity for achieving our long-term goals.

And finally, we wanted to address a few additional concerns that we have with some of the statements in your draft report. Our responses to each of these issues reflect the order in which they appeared in your report.

Page 3—fourth paragraph concerning the opening statements about the project list. You imply that we do not track lower level performance measures. The performance plan includes both projects and performance measures for all of our undertakings, including modernization. One of the performance measures in the plan is to complete a certain percentage of all projects approved from the modernization sequencing plan. Further, there are measures to reduce operating costs at our virtual data center.

Page 3—fourth paragraph regarding SFA's list of improvement projects, you say, "it is an unprioritized checklist of activities for the year." All of these projects and measures are important to achieving our goals and we intend to complete them in the current fiscal year, so we do not attempt to prioritize them as you suggest.

Page 4—first paragraph, "The Blueprint is not included in the COO's performance evaluation or bonus consideration." This is not correct. The Blueprint's Sequencing Plan, the document that summarizes modernization action steps and timetable, is an appendix to the Performance Plan that becomes the COO's performance contract with the Secretary.

Page 4—fifth paragraph regarding the statement about FAFSA processing times. You imply that we have not been aggressive enough in reducing turnaround times after achieving specific results in previous years. While this is an important measure, we decided to put additional focus into other endeavors that we believe address important customer desires, like improving the FAFSA on the Web product. As such, we did not want to over burden our managers with stringent FAFSA turnaround times at the expense of other items. That we have continued to decrease the turnaround time is a plus, and we will consider shortening the turnaround times for FY 2002.

Page 4—sixth paragraph concerning the statement about the cost of modernization justifies a performance plan goal and inclusion in GPRA for congressional oversight and OMB budget submissions. As stated in the opening paragraphs of this document, we believe that our performance plan addresses modernization and systems integration and that previous versions of the GPRA did and will again once the Department reissues its strategic five-year plan. Further,

our budget justification that is sent to OMB and Congress includes discussions of our modernization efforts and the uses of the funds.

Page 5—third paragraph regarding the statement that ACSI does not measure progress in systems integration. This is absolutely true; however, customers want accurate data and information—the real objective or end result of systems integration. The ACSI will capture those kinds of service attributes. In recent ACSI surveys of the Schools Channel, we are noticing significant improvement across the board in data accuracy and timeliness in reporting. Further, your statements about comments from our customers, that further system improvements are needed, is not surprising. We have been very public in our efforts to discuss problems and develop solutions to address them. We know we have made progress, but we have much to accomplish. However, as modernization leads to better data and more convenient interfaces, the ACSI will continue to rise.

Page 5—third paragraph concerning the statement that the, “Federal Aviation Administration (FAA) includes specific systems modernization goals in its current plan.” A review of the plan, cited in your memorandum’s footnote, shows that the actual goal they have articulated is in terms of system efficiency; not modernization. Further, the way that they will measure it is in terms of the percentage of systems deployed from a list of new capabilities. So the bottom line is that FAA is measuring efficiency, not in terms of unit cost reduction, productivity improvements, or even quality improvements, but rather by the number of capabilities FAA is developing without regard to how effective they may actually be.

Page 5—fourth paragraph regarding the statement, “This broad list of unprioritized projects, while important, cannot substitute for specific measurable goals....” As stated above all the projects are important. As also stated, this is just not a list of projects, performance measures are included. Measures directly related to modernization --as mentioned above-- have also been incorporated. Further, you imply that we need measures so that Congress can have clear indication of the PBO’s progress. We believe that we are providing Congress with this information, in terms of our balanced scorecard goals and in terms of the performance measures that we provide in the appendix of the performance plan. In addition, we have not heard from Congress that our plan and measures are inadequate. Also, unlike most federal agencies, we report the status of our performance measures on a quarterly basis.

Page 5-- fifth paragraph concerning the statement that “customer satisfaction is an intermediate outcome....” Ask anyone in government or industry if customer satisfaction is your intermediate outcome. To stay in business, to keep customers and constituents happy, to minimize legitimate complaints, to be proactive rather than reactive, and to reduce costs, customer satisfaction must be and is a primary outcome. That’s why government agencies and many best-in-business private sector firms include customer satisfaction as a balanced scorecard objective.

Page 5—fifth paragraph the statements about ACSI and that what it determines are not complete. Here’s what ACSI does for us. The ACSI measure attempts to go beyond standard customer satisfaction monitoring. It not only asks about the customer’s satisfaction, it asks the customer if the product or service met or exceeded his or her expectations. Further, the ACSI survey asks the customer to compare the product or service to an ideal. From these responses an ACSI score or index is derived. The ACSI is a better gauge of satisfaction, because it requires the customer to

really think about the product and service—beyond how much did they like it. By considering these additional factors, customers are more likely to use the product and service again, recommend it to a friend, and are less likely to complain.

In addition, additional factors about service quality can be compared to the ACSI score to determine individual service scores and to determine the service impact on the ACSI score. This is discussed in more detail below.

Page 6—second paragraph regarding the statement, “Other federal agencies achieve customer satisfaction levels that equal or exceed many top-performing companies. SFA’s stated goal of an ACSI score of 74 is the average....” We set our goal above the federal average of 68.8 and at a level that we thought was attainable in a short time period. Further, our initial results tell us that we are doing much better than banks that score a 68 on the ACSI index – five points below SFA’s latest score. We encourage you to review the ACSI web site that discusses the federal initiative. This can be found at <http://www.bus.umich.edu/research/nqrc/government.html>. A review of the information reveals that SFA’s scores have gone up significantly, while most agencies are doing about the same or even have dropped. Further, the ratings show that scores are based only on one product or service and that many agencies select products or services where they believe they will receive the most favorable response. The current configuration for SFA surveys 15 products and services across all of our business processes. We don’t believe any other government agency is surveying to the extent we are.

Once again, thank you for allowing us this opportunity to comment.

cc: William Hansen
Terry Abbott
Mark Carney
Harold Jenkins
Jack Christy
Jim Lynch
Cyndi Reynolds
Harry Feely

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Assistant Secretary, Office of Intergovernmental and Interagency Affairs, Laurie Rich

Deputy Chief Financial Officer, Office of the Chief Financial Officer, Mark Carney

Assistant General Counsel, Postsecondary Education Division,
Office of the General Counsel, Harold Jenkins

Supervisor, Post Audit Group, Office of Chief Financial Officer, Charles Miller

Office of Public Affairs, Rodger Murphey

Internal Review Director, Office of the Chief Financial Officer, SFA, Faye Harris

OIG

Inspector General

Deputy Inspector General

Assistant Inspector General for Investigation Services

Assistant Inspector General for Audit Services