



MANAGEMENT IMPROVEMENT TEAM ACCOMPLISHMENTS

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This document sets forth the key management improvements realized at the U.S. Department of Education since April 1, 2001—the date the Management Improvement Team began its work. These improvements resulted from the outstanding efforts of many dedicated employees who have worked tirelessly to correct management problems that have plagued the Department for years. While problems remain that will require additional efforts to correct, the Department is now well on its way to righting its fiscal ship and regaining congressional and public trust.

We are releasing this document jointly with our *Blueprint for Management Excellence*, which provides numerous recommendations to allow the Department to reach its management goals.

ACTIVITIES TO DATE

The Management Improvement Team (MIT) identified 661 recommendations for management improvement that were open on April 1, 2001. The sources of these recommendations included the Department’s financial statement audits, the General Accounting Office (GAO), the Student Financial Assistance (SFA) Performance Plan, the Office of the Inspector General (OIG) and other internal reviewers. The MIT segmented the recommendations into three primary categories—high, medium and low priority—based upon their relevance to improving financial integrity or removing the GAO high-risk designation from the student financial assistance programs. The MIT also expanded the existing audit-tracking system to track progress on non-audit recommendations as well.

Since April 1, 2001, the Department has closed 383 recommendations and developed corrective action plans (CAPs) for another 199.

Number and Status of Management Improvement Recommendations, by Priority

Priority	Status			
	Open 4/1/01	Closed During Period	Corrective Action Plans Developed	Open, Without Action Plans
High	242	139	103	0
Medium	328	201	63	64
Low	91	43	33	15
Total	661	383	199	79

Our activities to date have clustered around five objectives:

- Develop and Maintain Financial Integrity and Management and Internal Controls

- Modernize the Student Financial Assistance Programs and Reduce Their High-Risk Status
- Manage Information Technology Systems to Improve Business and Communications Processes
- Expand Strategies for Using Human Capital
- Achieve an “Accountability for Results” Culture

Develop and Maintain Financial Integrity and Management and Internal Controls

The Department has improved its financial management processes and strengthened its internal controls significantly since April 1, 2001. The following are the most prominent of the accomplishments:

- Limited purchase card use by reducing employee access to cards, and reduced spending limits—in some cases by more than 90 percent.
- Implemented a payment system that checks incoming bills and permits only authorized officials to approve payments.
- Required appropriate review/approval of all purchases—ensuring appropriate separation of duties to minimize risk of fraud, waste and abuse.
- Eliminated third-party drafts to eliminate the potential for abuse.
- Established an Office of the Chief Financial Officer (OCFO) group that promotes employee awareness of internal control.
- Completed Phase I implementation of Oracle—our new accounting system—in October 2000. This included the general ledger and accounts receivable. Phases II and III are proceeding according to schedule.
- Prepared interim financial statements on a quarterly basis. (Previously, we did not prepare interim statements at all.)
- Strengthened our policies and procedures to reconcile all our significant accounts and programs to the general ledger accounts within 45 days of the end of the month, improving their timeliness and effectiveness.
- Reported 95 percent of our appropriations quarterly by the third quarter of FY 2001 and will report 100 percent for the fourth quarter. (Prior to 2001, we reported budgetary and expenditure information quarterly to the Office of Management and Budget (OMB) and the Department of the Treasury for less than 70 percent of our more than 200 appropriations.)
- Completed a full physical inventory of current Information Technology (IT) property (e.g., computers, computer peripherals, cell phones) and reconciled differences. We reengineered our asset management process to ensure proper internal control and accountability—including an appropriate capitalization policy—and spot checks of inventory and periodic physical inventories.

Modernize the Student Financial Assistance Programs and Reduce Their High-Risk Status

The Department has concentrated on making improvements that would eventually result in GAO removing its designation of the student financial assistance programs as “high risk.” These problems include a lack of financial and management information, systems control weaknesses, the high dollar amount of student loans in default, student-level fraud, and inadequate school monitoring. The Department is addressing all these problems in a concerted fashion. Included among the actions we have taken are the following:

- Completed negotiations with GAO and OMB representatives and other partners to determine the specific actions needed to have GAO remove SFA from its High-Risk List.
- Collected \$153 million—\$135 million since April 1, 2001—as a result of locating defaulted borrowers by matching with the Department of Health and Human Services “National Directory of New Hires” database.
- Resolved 93 percent of school audits within six months of receipt.

Manage Information Technology Systems to Improve Business and Communications Processes

The Department has significantly improved management of its IT systems during recent months and addressed many past problems. Included among the many improvements made in this area, we:

- Established a temporary off-site disaster recovery facility for the Department’s computer network, EDNET, and EDCAPS—our financial records and accounting system—and finalized plans for a permanent disaster recovery facility to be operational by May 2002.
- Developed an IT security training curriculum for 700 IT professionals and held initial classroom training for security officers and system managers. Initiated specialized online computer security courses, and created an improved online computer security awareness course required of all ED staff.
- Performed security reviews of all Department IT systems and reported our findings and recommendations for improvement to OMB. We also developed a plan to correct deficiencies.
- Increased our use of E-commerce by:
 - Implementing three electronic identification processes and testing them with customers, external partners or employees;
 - Increasing student aid applications filed electronically by 25 percent in FY 2001; and
 - Developing EDHires (a Web-based application system), which will reduce hiring time and notify applicants electronically about application status and new vacancies.

Expand Strategies for Using Human Capital

A workforce analysis showed that a significant proportion of the Department's workforce will be eligible to retire during the next few years. We are expanding our recruitment, retention and training strategies to ensure that we can compete for the highest quality employees and appropriately train and retain them. Highlights of the actions we have taken in this area include the following:

- Launched a yearlong leadership development program with the Council for Excellence in Government, and selected 24 professional staff as participants. The participants will develop their leadership skills through group and individual coaching, benchmarking of best practices, and completion of a project that addresses the secretary's management improvement goals.
- Completed a comprehensive training needs assessment. We are using results to identify performance improvement areas to guide future training initiatives.
- Developed a training plan so employees with significant technology duties have skills needed to successfully perform their jobs. The plan provides training guidance needed by executives and managers who oversee technology development projects.

Achieve an “Accountability for Results” Culture

The Department is committed to shifting its culture towards greater individual responsibility and accountability. The organizational culture will reinforce high standards of conduct, value financial and administrative internal controls, and support and reward individual contributions that help accomplish the Department's strategic performance goals and objectives. Significant among the actions we have taken are the following:

- Established a process to monitor the Department's progress toward improving its management.
- Took quick action against eighteen individuals, including eight Department employees, for committing wide-ranging fraud against the Department. Four were terminated while four are on indefinite suspension.
- Established a decision-making process for major contracts, purchases, projects and other significant organizational matters.