

## Future Initiatives and Management Challenges

The Department's management challenges and future initiatives will involve the enhancement of the Department's governance process. This process will be based on accountability with a central focus on risk management and compliance. Numerous federal regulations have increased the pressure on government entities to measure and mitigate risks involving financial loss, as well as damage to the entities' reputations.

In order to continue the development and implementation of risk management throughout the Department, senior management recently established the Risk Management Service (RMS) in the Office of the Secretary. The RMS is responsible for identifying risks and taking effective actions to manage and mitigate risks that may adversely affect the advancement of the Department's mission.

The RMS, in collaboration with the Department's program offices and contractors such as the Oak Ridge National Laboratory, will identify common risk factors that have the potential to affect grantee performance, and will develop a systemic, risk-based approach to monitoring grant compliance and performance.

Responsibilities of the RMS include:

- Developing risk analysis strategies and tools for use throughout the Department and training Department staff to use these tools.
- Working with all components of the Department to ensure that each office has an effective risk identification and management strategy in place designed to take effective action to manage and mitigate risk.
- Supporting grant-making offices in developing annual grant monitoring plans that incorporate a risk management approach.

Implementation of these risk management strategies and tools will improve the sharing of risk information across Department offices

and will allow the Department to better analyze the level of risk associated with its grantees.

The Department will use risk analysis to make more timely and informed management decisions, including actions needed to mitigate grantee risks, resulting in reduced audit findings and reduced potential for misuse of Department funds. In addition, it will permit the Department to make determinations regarding the most effective use of its resources, both staffing and funding, for oversight and monitoring by targeting assistance to those grant programs and grantees that present the highest levels of risk.

### Grant Management

To improve grant processing through enhanced user communications, increased program performance monitoring, and the ability to link grant dollars to results and to take advantage of the most current technology, the Department is currently developing a new grant management tool called G5.

The potential value of such a tool has recently increased, as the Department has been selected to serve as one of three federal government-wide Grants Management Line of Business Consortia Leads. With this new responsibility comes the need to enable a wide range of grant management functionalities and technical capabilities for a broad spectrum of grantors.

The new G5 solution is designed to provide such capabilities by addressing more than 1,200 specific functional requirements, developed by grant program managers, Departmental staff and grant award recipients.

G5 will be implemented in three phases, with the first phase scheduled for implementation in the first quarter of FY 2008. Phase 1 will address the payment functionality of the grant management process, and encompass approximately 200 unique functional requirements.

The Department is closely managing individual functional requirements and actively communicating with its user base to ensure a successful implementation.

## Credit Reform Management

President Bush signed the *College Cost Reduction and Access Act of 2007 (PL 110-84)* into law on September 27, 2007. It provides additional federal aid to college students, reduces federal subsidies to private loan companies, and increases Pell Grant funding by \$11.4 billion over five years.

The Act gradually reduces interest rates on subsidized loans for low-income students, provides loan forgiveness for those who have served in public jobs for 10 years and caps payments on federal loans at a certain percentage of a college graduate's income.

These measures may contribute to a further decline in the national student loan cohort default rate, which declined to 4.6 percent for the FY 2005 cohort from a rate of 5.1 percent from the previous year.

## Getting Ready for the Global Economy

Under the American Competitiveness Initiative, the President proposed \$5.9 billion in FY 2007 and more than \$136 billion over 10 years to increase investments in research and development, strengthen education, and encourage entrepreneurship and innovation.

The National Math Panel brought together experts in mathematics, cognitive science, and education to help evaluate and determine the most effective ways of teaching math and sharing that knowledge with schools and teachers around the country. The new Math Now Program for elementary and middle school students, pending in the FY 2008 President's budget request, would promote research-based practices to provide the basics of a good math education and target struggling students.

The Advanced Placement/International Baccalaureate Program (AP/IB) would expand the access of low-income students to advanced coursework by training 70,000 high school teachers over the next five years to lead AP/IB math and science courses. The proposed Adjunct Teacher Corps would provide 30,000 math and science professionals with real-life experience over

the next eight years to teach in our nation's classrooms.

The Promise Scholarship Program, new in the President's 2008 budget proposal, would offer scholarships to low-income students in school that have consistently underperformed for five years.

## Management Challenges Identified by the Inspector General

Other current and future management challenges include those identified by the Office of Inspector General (OIG) in the annual report to improve Departmental efficiencies. These recommendations are provided in the Other Accompanying Information section of this report (see pages 165–184).

The recommendations include: improving oversight and management of programs by establishing and maintaining appropriate internal control accountability, strengthening management of student financial assistance programs, improving performance monitoring of contracted services, human capital planning, and managing data quality and information security.

## Department Response

The Department continues to address the challenges associated with management's oversight of internal controls related to programs, contracts, and information systems.

**Accountability.** To improve accountability and operation, the Department:

- Mandated internal controls training for all managers.
- Reduced improper payments.
- Institutionalized risk management principles.

In addition, the Department has addressed weaknesses in two programs, Reading First and Migrant Education programs.

For Reading First, the Secretary put new leadership in place to coordinate the program, and worked with the states to identify possible issues or concerns the states may have had with the implementation of the program.

With the Migrant Education Program, the Department proposed short-term steps to immediately prevent and detect over-counting of ineligible children, and long-term steps, including options for Congress to consider, to ensure that only eligible migrant children are served by the program and that migrant children are accurately counted for funding purposes.

**Student Financial Assistance Programs and Operations.** Federal Student Aid (FSA) has established controls over lender billings to ensure that only Federal Family Education Loan Program loans made and acquired with funds derived from tax-exempt financing sources acquire eligibility for special allowance payments at the 9.5 percent minimum return rate.

In April 2007, Secretary Spellings convened a task force to ensure that borrowers have more choice and that there is transparency throughout the college application and enrollment process.

The task force recommended new regulations to ensure every borrower has the right to choose any lender, and to prohibit institutions of higher education from favoring some lenders over others.

Proposed rules addressing inducements and preferred lender lists were published and final rules are scheduled to be issued before the end of 2007.

In addition, the Secretary issued a Dear Colleague letter on August 9, 2007 urging schools and lenders to begin to incorporate the principles of the new regulations into their institutional practices as soon as possible.

**Grant and Contract Awards, Performance, and Monitoring.** The Department has initiated steps to improve its performance in this area as outlined on page 21.

**Data Integrity.** The Department recognizes the need to improve its data quality and data reliability, as described on page 15.

**Information Security and Management.** The *Federal Information Security Management Act* requires each federal agency to develop, document, and implement an

agency-wide program to provide information security including security for information and systems managed by another agencies or contractors.

The Department continues its efforts in response to security challenges. Among recent actions:

- Acquisition of a security technology and services contract that intends to provide independent verification and validation of security operations.
- Development of an impartial scoring and evaluation process for investments.
- Establishment of an initial framework to codify, measure, and report specific actions project managers are accountable for performing.
- Expansion of membership in Department-level decision-making entities, the Investment Review Board and the Planning and Investment Review Working Group, to include more stakeholders.
- Strengthening of individual business cases to make investments more transparent to and clearly understood by decision-makers within the Department and OMB, and to map proposed investments to the agency-wide enterprise architecture.

**Human Capital.** The Department reports significant progress to address human capital management and human resources services in FY 2007, including:

- In support of the President's Management Agenda for Human Capital during Proud-To-Be IV year (July 1, 2006 - June 30, 2007), the Department maintained yellow overall status, but was able to achieve "green" progress in two of the four quarters of the scoring cycle. Ending the last Proud-to-Be cycle with "green" progress was largely achieved by increased senior management focus on human capital management.
- The Department's Organizational Assessment is the primary performance management process affecting the principal offices. The Organizational Assessment includes human capital metrics that relate to the effectiveness of

the Department's investment in employees and the work environment.

The human capital metrics help to ensure positions are filled within the timeframe established for principal offices, that leadership development training is attended to close competency gaps, and performance plans are established and performance appraisals completed in accordance with the Department's policy to support a results-oriented performance culture.

- The Department's Succession Management Plan and Human Capital Accountability System increase management focus on achieving quarterly human capital commitments and on obtaining the Office of Personnel Management's approval of the Department's strategies to ensure there is a continuous pipeline of leaders in the Department to address the Department's workforce and succession planning issues.

The accountability system provides the Department with a consistent means to monitor and analyze all aspects of human capital management policies, programs, and activities in support of the mission.

- The Department's Human Capital Metric Plan and FY 2008 Workforce Plan are under review by the Office of Personnel Management. The Human Capital Metric Plan has been updated to align with the Department's 2007–2012 Strategic Plan and the Workforce Plan, which identifies FY 2008 human capital needs.

Both plans will be used as tools to drive mission success by ensuring the Department attracts, hires, and retains a diverse, high-quality workforce that demonstrates results. It is anticipated both plans will be finalized in early FY 2008.

## Summary

Promoting student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access is our mission. Achieving management excellence is the foundation on which we are able to accomplish this mission.

Department management made great strides in improving the nation's educational opportunities through data collection and reporting strategies. Producing accurate, timely, and reliable financial reports and taking steps to strengthen the information security program enables the Department to execute its mission effectively.

The Department acknowledges the challenges it faces. By focusing on human capital management and further integrating performance and financial information the Department will continue to ensure access to and excellence in the nation's educational system.