

Goal 6: Establish Management Excellence

Key Measures

The Office of Management and Budget has required all 15 Cabinet-level departments and 10 other major federal agencies to report quarterly on their progress toward demonstrating administrative excellence. The *President’s Management Agenda* comprises five major initiatives designed to assure Americans of the efficient use of federal funds and the effective responsiveness of the federal government to their needs.

At the Department, we have identified within our sixth goal, Establishing Management Excellence, nine key measures aligned with the initiatives of the *President’s Management Agenda*. Success in meeting challenging targets for these measures ensures management results that maximize value to taxpayers, channel available resources toward high-performing programs, and help students achieve in the classroom.

Financial Integrity and Management

One major initiative of the *President’s Management Agenda* is Improved Financial Performance. The Office of Management and Budget monitors 24 departments and agencies progress in relation to Financial Management through the *President’s Management Agenda Scorecard*. Each year agencies are required to step up their financial management program. The Department demonstrated its ability to improve financial management through several foundational requirements. First, the Department has maintained an unqualified opinion for 5 years, improved reporting capabilities and is working to further enhance reporting through risk adjusted performance reporting. This initiative further enhances our management and external reporting.

6.1.A The achievement of an unqualified audit opinion. [2204]	
Fiscal Year	Actual
1999	Qualified
2000	Qualified
2001	Qualified
2002	Unqualified
2003	Unqualified
2004	Unqualified
2005	Unqualified
2006	Unqualified
2006 target met	

Independent Auditors’ Financial Statement and Audit Reports, FY 1999 through FY 2006.

Analysis of Progress. For the fifth year, the Department has earned an unqualified or “clean” audit opinion from independent auditors.

Data Quality. Independent auditors follow professional standards and conduct the audit under the oversight of the Department’s Office of Inspector General. There are no data limitations.

Strategic Human Capital Management

Human capital management is a concern throughout the federal government and is a major reason for the *President's Management Agenda* initiative, Strategic Management of Human Capital. Not only must the federal government compete with the private sector for top talent, but also it faces a potential shortage of experienced staff. At this time, it is estimated that approximately one half of the current federal employee workforce will be eligible either to retire or to seek early retirement by the year 2010. At the Department, we are approaching historic lows in total personnel, while our budget is at an all-time high. Our employees must manage increasing responsibilities while maintaining exemplary performance to guarantee the effective use of federal dollars for the benefit of America's students.

6.2.A Index of quality human capital performance management activities.[2205]	
Fiscal Year	Actual
2005	72
2006	58
2006 target of 73 not met	

U.S. Department of Education, Office of Management, via data from the Education Department Performance Appraisal System and the U.S. Department of the Interior's Federal Personnel/ Payroll System. The latter system provides personnel and payroll support to numerous federal agencies, including the Department of Education.

Analysis of Progress. This measure is a composite of three measurements: percentage of employees that have established effective performance standards prior to the beginning of the rating cycle, the percentage of employees who have documented ratings of record in the system with 30 days of the close of the rating cycle, and lastly, the percentage of awards paid out to employees with outstanding performance ratings.

The large variance from last year and the target is attributed to the fact that senior leadership extended the timelines for the completion of performance plans and ratings, and the first two components of the measure experienced material decreases. The two measures declined 14 and 31 percent respectively, while the third measure increased 14 percent.

Information Technology Management

Expanded electronic government comprises a fourth major initiative of the *President's Management Agenda*. The Department's primary task in this initiative is the migration of discretionary grant competitions from paper to electronic format.

The Department has played a leading role in the initiative to simplify federal government grant application and award processes. In FY 2006, the Department was selected as a "center of excellence" in the Grants Management Line of Business government-wide project. The Department will be a grant administration service center available to federal agencies.

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6.3.A The percentage of discretionary grant programs providing online application capability. [2206]

Fiscal Year	Actual
2000	5
2001	20
2002	29
2003	57
2004	77
2005	86
2006	84
2006 target of 84 met	

U.S. Department of Education, Office of the Chief Financial Officer, Grant Administration and Payment System.

Analysis of Progress. This Department met its target for utilizing online facilities in the grant application process. Although the measure declined slightly, there was no material difference.

Data Quality. This statistic is a comparison between active schedules in the Grant Administration and Payment System and e-Grants participation. Grant competitions providing either e-Application or Grants.gov applications will be counted as participating in the electronic submission.

Customer Service for Student Financial Assistance

A major foundation of the *President's Management Agenda* is that government must be focused on the citizens it serves, and student financial assistance programs unquestionably comprise the busiest area of Department customer service activity. In overseeing a student loan portfolio comprising more than \$400 billion and exceeding 26 million borrowers, and in managing the Federal Pell Grant program, which provided more than \$12 billion in FY 2006 for low-income postsecondary students, we demonstrate the quality level of our customer service activities before a very large audience. Thus, our customer service performance measures focus on various aspects of service delivery within student financial assistance operations.

6.4.A Customer service level for Free Application for Federal Student Aid on the Web. [2207]

Fiscal Year	Actual
2003	86
2004	81
2005	81
2006	80
2006 Target of 83 not met	

FY 2006 American Customer Satisfaction Index Survey.

6.4.B Customer service level for Direct Loan Servicing. [2208]

Fiscal Year	Actual
2003	77
2004	78
2005	76
2006	79
2006 Target of 77 exceeded	

FY 2006 American Customer Satisfaction Index Survey.

6.4.C Customer service level for Common Origination and Disbursement. [2209]

Fiscal Year	Actual
2003	66
2004	72
2005	76
2006	77
2006 Target of 76 exceeded	

FY 2006 American Customer Satisfaction Index Survey.

6.4.D Customer service level for Lender Reporting System. [2210]

Fiscal Year	Actual
2003	71
2004	73
2005	72
2006	71
2006 Target of 74 not met	

FY 2006 American Customer Satisfaction Index Survey.

Analysis of Progress. The FY 2006 American Customer Satisfaction Index (ACSI) ratings for Federal Student Aid’s highest volume products and services – including Direct Loan Servicing, *Free Application for Federal Student Aid (FAFSA)* on the Web, the Common Origination and Disbursement system and the Lender Application and Reporting System – score in the “Excellent” and “Good” range. The Common Origination and Disbursement system received an improved ACSI score.

Continuation of the multi-year enterprise communications strategy that was launched in FY 2005 to better articulate the benefits of postsecondary education, raise awareness of federal student aid programs and improve consistency across all communications to the many stakeholders, including currently underserved communities. In FY 2006, Federal Student Aid began full-scale implementation of this strategy launching a new Federal Student Aid brand and incorporating it across multiple points of presence.

Direct Loan Servicing and the Common Origination and Disbursement measures exceeded their performance targets. However, customer service for the *FAFSA* on the Web missed its target by three points and the Lender Reporting System by one point. Customer service for *FAFSA* is still the highest scoring Federal Student Aid product or service. However, its score declined by one point from last year. Direct Loan Servicing made significant progress this year increasing its score to a 79, an increase of three points. Common Origination and Disbursement servicing and the Lender Reporting system remain relatively unchanged.

Data Quality. Federal Student Aid established performance targets last year that were included in the *FY 2006 – 2010 Five Year Plan* to measure customer service were delineated in percentile rank. This was done to provide a common measure of customer satisfaction regardless of the method or company used to conduct the customer satisfaction surveys. Unfortunately, so few companies are included in the ACSI sector benchmark averages, the percentile rank does not accurately reflect true performance. For example, a single point change in the ACSI score of *FAFSA* on the Web resulted in a 21 percent change in percentile ranking.



Budget and Performance Integration

A fifth major initiative of the *President’s Management Agenda* is Budget and Performance Integration. Simply put, the size of a federal education program’s budget should significantly correlate with its efficacy in improving student achievement. If a program works, more funding is justified; if it doesn’t, the program either should undergo corrective action or be eliminated.

The Office of Management and Budget and the Department have worked together to measure program effectiveness by means of the Program Assessment Rating Tool (PART). By analyzing a program’s purpose, strategic planning functions, management capability, and demonstrated results, this tool has identified the strengths and weaknesses of both major and minor Department programs. The Department used the PART process to make significant changes to ineffective programs or, in some cases, to recommend their termination. The overriding goal is that Department-funded programs demonstrate proven effectiveness.



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6.5 The percentage of Department program dollars associated with programs, reviewed under the Program Assessment Rating Tool process, which were rated effective. [2211]

Fiscal Year	Actual
2002	55
2003	52
2004	47
2005	78
2006	Target is 79

2005 target of 78 met
2006 data expected Aug. 2007

U.S. Department of Education, analysis of Program Assessment Rating Tool findings.

Analysis of Progress. In FY 2005, the Office of Management and Budget assessed 18 Department programs using the PART, bringing the total number of programs assessed to 74. These programs represent 78.3 percent of the Department's 2005 appropriation for PART-eligible programs. Because of its successful efforts to address program deficiencies identified through the PART process, the Department was able to move 5 programs that were previously rated "Results Not Demonstrated" out of this category and into the "Adequate" and "Moderately Effective" categories in FY 2005.

These reassessed programs, including the Special Education Grants to States and Improving Teacher Quality State Grants programs, represent 25 percent of the budget authority for programs subject to the PART through FY 2005. The Department also made significant strides in its efforts to measure and improve the efficiency of its programs. In July 2005, the Department submitted its first annual efficiency measures report to the Office of Management and Budget with information on the 42 programs for which the Department had established efficiency measures.

Faith-Based and Community Organization Grantees

In addition to the five major *President's Management Agenda* initiatives, the Office of Management and Budget also grades the Department on eliminating improper barriers that hinder faith-based and community organizations from participating in the provision of certain federal social services. The Department has actively encouraged faith-based and community organizations to apply for discretionary grant competitions deemed amenable to their participation. Of particular significance, we developed clear guidance for our program offices on the equal treatment of grant applicants regardless of their organizational background. This effort has had a side benefit of increasing our awareness of the efforts of novice (first-time) applicants other than faith-based and community organizations.

6.6 The percentage of applications in competitions of amenable discretionary programs that are faith-based or community organizations. [2212]

Fiscal Year	Actual
2006	Baseline established

2006 target to establish baseline met

U.S. Department of Education, Office of the Secretary, Center for Faith-Based and Community Initiatives.

Analysis of Progress. This is a new key measure for FY 2006. The data was collected, and a baseline was established.

Data Quality. The Department tracks the application process and analyzes the data at the end of the fiscal year.

Target Context. The measure is calculated as the number of discretionary grant competition applications from faith-based and community organizations divided by the total discretionary grant competition applications.

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Performance Summary

The Department attributes the accounts below to Goal 6. These programs are listed below. In the table, an overview is provided for the results of each program on its program performance measures. (See p. 31 for the methodology of calculating the percentage of targets met, not met, and without data.) Individual program performance reports are available at <http://www.ed.gov/about/reports/annual/2006report/program.html>. Appropriation and expenditure data for FY 2006 are included for each of these programs.

Program Name	Appropriations†	Expenditures‡	Program Performance Results Percent of Targets Met, Not Met, Without Data											
			FY 2006			FY 2005			FY 2004			FY 2003		
			FY 2006 \$ in millions	FY 2006 \$ in millions	% Met	% Not Met	% No Data	% Met	% Not Met	% No Data	% Met	% Not Met	% No Data	% Met
Office for Civil Rights	91	85	100	0	0	100	0	0	100	0	0	100	0	0
Office of Inspector General	49	46	100	0	0	33	67	0						
Program Administration #	411	420	#			#			#			#		
TOTAL	551	555												

† Budget for each account represents function budget authority.

‡ Expenditures occur when recipients draw down funds to cover actual outlays. FY 2006 expenditures may include funds from prior years' appropriations.

■ A shaded cell denotes that the program did not have targets for the specified year.

The Department does not plan to develop performance measures for programs, activities, or budgetary line items that are administrative in nature or that serve to support other programs and their performance measures.

Summary of Inspector General and Government Accountability Office Reports

The previous pages of this document have explained in detail how the Department is doing in meeting its *Strategic Plan* performance goals. The Office of Inspector General (OIG) promotes the efficiency, effectiveness and integrity of the Department's programs through independent and objective audits, among other activities. These activities, along with reports from the Government Accountability Office (GAO), allow the Department to focus its attention and resources on areas of particular importance in meeting the *Strategic Plan* performance goals.

Below is an abbreviated list of the FY 2006 Inspector General and Government Accountability Office reports presented by Strategic Plan Goal. We provide a brief synopsis of the issue and Department's response.

Goal	Report Name Organization	Issue	Department's Response
1	Gulf Coast Hurricanes: Lessons Learned for Protecting and Educating Children (GAO-06-680R) May 2006 Department	This report reviewed the numbers of missing children, foster children receiving welfare services, and schoolchildren displaced by the storms or damage to their schools, and the challenges for educating displaced school-aged children. Four federal agencies were referenced.	The Department granted flexibility in reporting and other requirements that allowed states and districts to focus on rebuilding. Using the <i>McKinney-Vento Homeless Assistance Act</i> to enroll displaced students in new schools ensured that the students' education continued.
1	No Child Left Behind: States Face Challenges Measuring Academic Growth That Education's Initiatives May Help Address (GAO-06-661) July 2006 Department / Office of Elementary and Secondary Education	The Department should provide assistance in helping states with the challenges they face in measuring academic growth and in measuring progress in achieving key No Child Left Behind goals.	The Department initiated a pilot project for selected states to use growth models that met its specific criteria to determine "adequate yearly progress." Additionally, the Department initiated a grant competition to support the design of longitudinal data systems to track individual student test scores over time.
2	No Child Left Behind: Improved Accessibility to Education's Information Could Help States Further Implement Teacher Qualification Requirements (GAO-06-25) November 2005 Department / Office of Elementary and Secondary Education	The Department should explore ways to make the Web-based information on teacher qualification requirements more accessible to users of its Web site.	The Department agreed with this finding and has already taken steps to address it.

Goal	Report Name Organization	Issue	Department's Response
2	Individuals with Disabilities Education Act: Education Should Provide Additional Guidance to Help States Smoothly Transition Children to Preschool (GAO-06-26) December 2005 Office of Special Education and Rehabilitative Services	The Department needs to provide states with additional guidance on transition planning and services for children with third birthdays during the summer, and especially in cases where children are likely to need extended school year services.	The Department disagreed that service gaps in the transition from Part C (birth to age three) to Part B (ages three through five) are specific to summer months as the report states. Preliminary data from a Department-funded study indicated that the service gap is specific to transition whenever the transition occurs, not just the summer months.
2	The U.S. Department of Education's Activities Relating to Consolidating Funds in Schoolwide Programs Provisions (ED-OIG/A07F0014) December 2005 Office of Elementary and Secondary Education	The Department could do more to assist state educational agencies in eliminating state fiscal and accounting barriers to consolidating funds in their schoolwide Title I programs.	The Department concurred with both findings. However, the Department did not concur with the recommendation to require reports for state educational agencies, program reviews and corrective actions to identify failures on the part of state educational agencies to fulfill their responsibilities. The disagreement is due to a contradiction in statutory requirements.
2	Final Audit Report of the Cooperative Agreement Between the State Scholars Initiative Program and the Department of Education (ED-OIG/A06F0006) January 2006 Office of Vocational and Adult Education	The Department did not award the State Initiative grant in accordance with applicable regulations and Department policy, and the Office of Vocational and Adult Education did not provide adequate program management and did not address financial problems expeditiously.	The Department is taking steps to improve guidance on maintaining official grant files, but staff, when alerted to irregularities, took immediate action.
2	Troops-to-Teachers Program Brings More Men and Minorities to the Teaching Workforce, but Education Could Improve Management to Enhance Results (GAO-06-265) March 2006 Office of Innovation and Improvement	The Department should improve program management for the Troops-to-Teachers program and better coordinate with other teacher recruitment and retention initiatives.	The Department generally concurred with GAO's findings and recommendations and is proceeding with implementation.
2	No Child Left Behind Act: Assistance From Education Could Help States Better Measure Progress of Students with Limited English Proficiency (GAO-06-815) July 2006 Department / Office of Elementary and Secondary Education	The Department should support additional research on accommodations, support states to ensure the validity of academic assessments, publish more detailed guidance on assessing English proficiency, and provide flexibility in measuring annual progress for students with limited English proficiency.	The Department generally agreed with GAO's recommendations. The Department has conducted research on the effectiveness of accommodations and has begun identifying additional technical assistance needs of states for academic assessments and to help states assess English language proficiency. The Department has already provided flexibility regarding the inclusion of limited English proficient students in accountability systems.

Goal	Report Name Organization	Issue	Department's Response
2	No Child Left Behind: Education Actions Needed to Improve Local Implementation and State Evaluation of Supplemental Educational Services (GAO-06-758) August 2006 Department	The Department should disseminate information on promising practices to improve Supplemental Educational Services implementation, provide states with technical assistance to improve evaluation of Supplemental Educational Services' effect on student achievement, and expand program flexibility.	The Department generally concurred with GAO's recommendations. The Department has provided state and local agencies with sample parent notification material in non-regulatory guidance. The Department's Comprehensive Center on Innovation and Improvement has provided additional technical assistance. The Department will be providing additional technical assistance at the Project Directors' meeting and will be disseminating promising practices.
4	Federal Autism Activities: Funding for Research Has Increased, but Agencies Need to Resolve Surveillance Challenges (GAO-06-700) July 2006 Department	The Department should work with the Department of Health and Human Services to identify options for overcoming challenges to the Centers for Disease Control's ability to acquire individual student records for autism surveillance.	The Department did not agree as the recommendation does not reflect the important privacy protections established by the Family Educational Rights and Privacy Act nor Congress' concern with preserving the rights of parents to be notified and refuse or consent to disclosure of their children's records.
5	Transfer Students: Postsecondary Institutions Could Promote More Consistent Consideration of Coursework by Not Basing Determinations on Accreditation (GAO-06-22) October 2005 Office of Postsecondary Education	The Department and Congress require postsecondary institutions eligible for Title IV funding not to deny the transfer of credit on the basis of a sending institutions' type of accreditation.	The Department found the recommendation to be useful and informative.
5	Death and Total and Permanent Disability Discharges of FFEL and Direct Loan Program Loans (ED-OIG/A04E0006) November 2005 Federal Student Aid	The Inspector General identified problems with policies, procedures, and internal controls over loans established for disability discharges.	The Department concurred with one finding but did not concur that, when reinstated from a conditional discharge status, borrowers should be required to pay interest.
5	Overlapping Services in the Department of Education's Office of Postsecondary Education Programs (ED-OIG/X07F0002) February 2006 Office of Postsecondary Education	The Office of Postsecondary Education administers at least 41 discretionary and formula grants with duplicative program objectives serving like areas and populations as 14 Vocational and Adult Education programs and 13 Elementary and Secondary Education programs.	The Department concurred with the report and has proposed elimination of many duplicative or unneeded programs. The Department continues to realign programs with similar goals and objectives.

Goal	Report Name Organization	Issue	Department's Response
5	Review of Financial Partners' Monitoring and Oversight of Guaranty Agencies, Lenders and Servicers. (ED-OIG/AO4E0009) September 2006 Federal Student Aid	The report identified internal control weaknesses relating to five of the internal control standards – control environment, control activities, monitoring, information and communication, and risk assessment. Based on the review, Financial Partners did not provide adequate oversight and consistently enforce FFEL program requirements.	The Department disagreed with the overall conclusion reached regarding the control environment, but acknowledged that there may be areas where improvements can be made.
5	Special Allowance Payments to Nelnet for Loans Funded by Tax-Exempt Obligations. (ED-OIG/A07F0017) September 2006 Federal Student Aid	The report questioned payments made to an entity that participates in the Federal Family Education Loan Program.	The Secretary is currently considering the Department's response to the findings and recommendations contained in this report.
6	Education's Data Management Initiative: Significant Progress Made, but Better Planning Needed to Accomplish Goals (GAO-06-6) October 2005 Office of Planning, Evaluation and Policy Development	The Department should develop a strategy to help states provide quality data and a clear plan for completing final aspects of the initiative.	The Department concurred with the recommendations and is in the process of developing a detailed project plan to complete the initiative and is devoting additional resources for its enhancement.
6	Discretionary Grants: Further Tightening of Education's Procedures for Making Awards Could Improve Transparency and Accountability (GAO-06-268) February 2006 Department / Office of Innovation and Improvement	The Department should develop a systematic format to select unsolicited proposals, ensure that all competition plans are finalized before competitions begin, and implement a policy to screen applicants for compliance with audit requirements before the award.	The Department agreed with three of the four recommendations, but disagreed with the recommendation that it develop a more systematic approach to select unsolicited proposals for consideration as it would not necessarily produce high-quality applications.
6	Audit of the Department of Education's Follow-up Process for Internal Audits (ED-OIG/A19E0017) February 2006 Office of the Chief Financial Officer	The Department's audit follow-up system was not always effective as systems were not always in place to follow up on corrective actions, monitor the Department's compliance with the Office of Management and Budget Circular A-50, and ensure the effectiveness of the audit resolution process.	The Department concurred with the report and provided a proposed corrective action plan to address recommendations.
6	The U.S. Department of Education's Monitoring of Adherence to Matching Requirements (ED-OIG/A05F0015) March 2006 Office of the Chief Financial Officer	The Department did not have adequate procedures in place to monitor grantees' adherence to matching requirements for the majority of its programs, and adequate guidance, training, and oversight of procedures to monitor cost-sharing were not provided to program staff.	The Department concurred and will revise its Handbook to better inform program staff about matching requirements, and will review selected programs for compliance with matching requirements. The Department will update all relevant training courses and ensure the training reflects current policy.

Goal	Report Name Organization	Issue	Department's Response
6	Faith-Based and Community Initiative: Improvements in Monitoring Grantees and Measuring Performance Could Enhance Accountability (GAO-06-616) June 2006 Department	Federal agencies should include information on safeguards in grants and grant monitoring, improve data on grants awarded to faith-based organizations, and develop a plan for reporting on faith-based organizations' long-term goals.	The Department disagreed with the recommendation on the basis that the safeguards are already in place for grant programs apply equally to faith-based organizations.