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United States General Accounting Office
Washington, D.C. 20548

Health, Education, and
Human Services Division

B-282717

July 20, 1999

The Honorable Dick Armey
Majority Leader
House of Representatives

The Honorable Dan Burton
Chairman, Committee on Government Reform
House of Representatives

The Honorable Fred Thompson
Chairman, Committee on Governmental Affairs
United States Senate

Subject: Observations on the Department of Education's Fiscal Year 2000 Performance Plan

As you requested, we have reviewed and evaluated the fiscal year 2000 performance plans for the 24 Chief Financial Officers (CFO) Act agencies that were submitted to the Congress as required by the Government Performance and Results Act of 1993 (Results Act). Enclosure I to this letter provides our observations on the fiscal year 2000 performance plan for the Department of Education. Enclosure II lists management challenges we and Education's Inspector General identified that face the agency and the applicable goals and measures in the fiscal year 2000 annual performance plan.

Our objectives were to (1) assess the usefulness of the agency's plan for decisionmaking and (2) identify the degree of improvement the agency's fiscal year 2000 performance plan represents over its fiscal year 1999 plan. Our observations were generally based on the requirements of the Results Act, guidance to agencies from the Office of Management and Budget (OMB) for developing the plan (OMB Circular A-11, Part 2), our previous reports and knowledge of Education's operations and programs, and our observations on Education's fiscal year 1999 performance plan. Our summary report on the CFO Act agencies' fiscal year 2000 plans contains a complete discussion of our objectives, scope, and methodology.¹

¹Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGDAIMD-99-215, July 20, 1999).

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As agreed, unless you announce the contents of this letter earlier, we plan no further distribution until 30 days from the date of the letter. The major contributors to this report are listed in enclosure III. Please call me at (202) 512-7215 if you or your staff have any questions.

A handwritten signature in black ink that reads "Cynthia M. Fagnoni". The signature is written in a cursive, flowing style.

Cynthia M. Fagnoni
Director, Education, Workforce, and
Income Security Issues

Enclosures - 3

Observations on the Department of Education's Performance Plan for Fiscal Year 2000

Education's fiscal year 2000 annual performance plan provides (1) a general picture of intended performance across the agency, (2) a general discussion of strategies and resources the agency will use to achieve its goals, and (3) general confidence that agency performance information will be credible. For example, most performance indicators in the plan include baseline or trend data and projections against which to assess performance. Similarly, the description of each objective includes a discussion of how external factors, such as the level of state and local funding for schools, will affect Education's ability to achieve the objective. Figure 1 highlights the plan's major strengths and key weaknesses as Education seeks to make additional improvements to its plan.

Figure 1: Major Strengths and Key Weaknesses of Fiscal Year 2000 Annual Performance Plan

Major Strengths

- Performance objectives and indicators are generally objective, measurable, and quantifiable.
- Baseline or trend data for most performance indicators are included.
- Need to coordinate with other federal agencies is discussed.
- Role of external factors on ability to achieve objectives is discussed.
- Data limitations and measures to verify the reliability of performance measures are described.
- Specific validation and verification efforts are described.
- How evaluations will be used to supplement for performance measurement shortcomings is shown.

Key Weaknesses

- Some performance measures do not sufficiently cover key aspects of performance.
- Coordination of specific programs with similar programs in other agencies or complimentary performance goals and measures are not discussed.
- Separate discussions of how capital assets, mission critical management systems, or human capital will support achievement of program results are not included.
- How some data limitations will be resolved is not indicated.

The Department of Education's fiscal year 2000 performance plan shows moderate improvement in addressing the weaknesses we identified in our assessment of its fiscal year 1999 plan. In reviewing the 1999 plan, we observed that it (1) did not provide a complete picture of the intended performance of its programs, (2) did not fully discuss how strategies and resources would help achieve its performance goals, and (3) did not provide sufficient confidence that its elementary and secondary education performance information would be credible. Among the most important improvements, the fiscal year 2000 plan

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- includes baselines or trend data for most performance indicators (for example, half of the 98 indicators in Education's fiscal year 2000 plan have both baseline and trend data and about 90 percent now have baseline data);
 - identifies within individual program performance plans¹ the strategic objectives the program supports;
 - adds discussions of how external factors impact each objective (for example, many of the key strategies for each objective in the plan discuss how Education will work with nonfederal partners to focus on results and minimize administrative burdens);
 - rewrites some key strategies to more closely show their relationship to the objective they support;
 - adds more detailed discussion of Education's strategies and timelines for improving its performance information (for example, Education's plan provides specific strategies and timelines for improving the efficiency and quality of the student aid delivery system); and
 - discusses the data limitations for 97 of the 98 total performance indicators.

Education's Performance Plan Provides a General Picture of Intended Performance Across the Agency

Education's plan provides a general picture of intended performance across the agency. For the most part, the performance indicators Education established are objective, measurable, and quantifiable. Further, the indicators often relate to and can adequately show progress towards meeting the performance objectives and goals. Baseline or trend data are shown for most indicators and many compare past performance or accomplishment with projected future performance or accomplishment. Typical of this is an indicator that the number of charter schools operating nationally will increase to 3,000 by the year 2002. A bar graph displays steady increases from 100 charter schools in the 1994-95 academic year to a projected 3,400 in the 2002-03 academic year.

However, we found that some of the agency's performance measures do not sufficiently cover key aspects of performance. For example, one objective states that all children should enter school ready to learn. However, none of the three performance indicators used to assess progress defines "ready to learn." One indicator for this objective is that kindergarten

¹Education's performance plan includes a separate volume that shows the performance plans for each program in its budget.

and first-grade teachers will increasingly report that their students enter school ready to learn reading and math. Again, no standard of what is meant by “ready to learn” is discussed. In addition, some indicators do not adequately distinguish the role of Education’s programs in achieving results from the role of nonfederal participants, such as local school districts, in education performance. For example, one objective states that a talented and dedicated teacher should be in every classroom in America. Education uses indicators that measure overall teacher qualification and competency, such as annual increases in the number of nationally board-certified teachers. None of the six indicators for assessing progress include any measures of the contributions of teacher training programs funded by Education for improvements in teaching.

To varying degrees, the fiscal year 2000 plan addresses major mission-critical management problems at Education. There are separate objectives targeted at resolving problems with information systems, financial integrity, flexibility for program participants while maintaining accountability, and employee performance. Enclosure II shows how the plan addresses the major management challenges we and Education’s Inspector General have identified.

Nearly all objectives include a discussion of the coordination Education will need with other federal agencies to achieve the objective and, in general terms, describes the issues or efforts that require this coordination. But the plan does not identify or describe common or complementary performance goals and measures elsewhere in the federal government that relate to Education’s goals and measures, nor do the individual program performance plans discuss coordination or complimentary goals and measures. For example, in describing its coordination strategies and activities with Health and Human Services’ Head Start program as part of its objective that all children enter school ready to learn, Education did not explain how this objective or its performance indicators compared with or would be coordinated with the objectives or indicators for the Head Start program.

The fiscal year 2000 performance plan indicates some degree of progress in addressing the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan. In reviewing the fiscal year 1999 plan, we observed that, while many of the performance goals and measures in the agencywide performance plan were generally objective, measurable, quantifiable, many in the individual program performance plans were not. For example, many of the performance measures for individual programs lacked quantifiable baselines or targeted levels of performance for the fiscal year which could hinder Education’s ability to assess its performance. Also, we noted that Education could more directly link the goals and measures in the individual program performance plans with its strategic objectives. Among improvements in the fiscal year 2000 plan are the inclusion of baseline and trend data for a greater number of the performance indicators and the identification in the performance plan for each budgeted program of the strategic plan objectives that the program supports.

Education's Performance Plan Generally Addresses the Strategies and Resources It Will Use to Achieve Its Goals

Education's plan provides a general discussion of the strategies and resources the Department will use to achieve its performance goals. It contains a separate appendix that generally relates each of Education's budgeted program activities to one or more strategic plan goals and objectives. However, we found program activities that were not included in the appendix—in particular, the departmental management account that funds agency operations. Another plan appendix shows the funding and staffing resources associated with each objective but it does not explain how these resource levels were determined from the program activities in Education's budget request.

The description for each strategic objective includes a fairly lengthy discussion of key strategies for achieving that objective, including the role of budgetary resources and legislative initiatives. The descriptions also list Department programs that support the objective. A separate section of the plan discusses the role of tax expenditures in achieving the goals and objectives they apply to. Education has added to the description of each objective a discussion of how external factors, such as the level of state and local funding for schools, will affect its ability to achieve the objective. For instance, partnerships with nonfederal levels of government, such as local school districts and other outside entities, are described.

In reviewing the plan, we did not identify any separate discussion of how capital assets, mission critical management systems, or human capital will support the achievement of program results. However, it contains separate strategic objectives related to improving management information systems, ensuring financial integrity, and developing highly skilled and high-performing employees. These objectives address achieving program results through such key strategies as using information technology to increase the efficiency and effectiveness of Education's operations, providing accurate and timely financial data to program offices, and providing training and professional development needed to achieve high staff and organizational performance.

The fiscal year 2000 performance plan indicates some degree of progress in addressing weaknesses we identified in our assessment of the fiscal year 1999 performance plan as it relates to providing a specific discussion of strategies and resources Education will use to achieve performance goals. In reviewing the fiscal year 1999 plan, we observed that, for certain performance goals and measures, the plan did not clearly convey how the strategies and resources would achieve the plan's goals, nor did it fully describe the human or technology resources need to achieve the goals. For example, Education did not clearly explain how its strategy to implement a capital planning and investment control process would contribute to an objective to have all information systems converted to year 2000 compliance by March 1999.

Among improvements in the fiscal year 2000 plan are added discussions of how external factors affect each strategic objective. For example, the impact of external factors on the delivery of elementary, secondary, and postsecondary education programs are described for each objective in Education's fiscal year 2000 plan. Some key strategies have been rewritten to more closely show their relationship to the objective they support. For example, key strategies for implementing an objective to ensure that an up-to-date knowledge base is available to support education reform and equity include strengthening internal capacity and focusing research on solving critical education problems. The 1999 plan described the key strategy for this objective in more functional terms, such as dissemination and use or financial support. The fiscal year 2000 plan does not provide any more details on the role of human or technical resources than the fiscal year 1999 plan. For example, Education's performance plans do not provide information describing the operational processes, skills, and technologies and the capital, information, human, or other resources required to achieve each performance goal.

Education's Performance Plan Generally Provides Confidence That Agency Performance Information Will Be Credible

Education's fiscal year 2000 performance plan indicates some degree of the Department's progress in addressing weaknesses that we identified in our assessment of its fiscal year 1999 performance plan and generally provides confidence that its performance information is credible. Unlike its fiscal year 1999 performance plan, Education's current plan describes the limitations of its performance data and efforts to verify the reliability of performance measures. For example, for one performance indicator—to annually increase the percentage of students and their parents who obtain information on the academic requirements for college or other postsecondary education—the Department acknowledged that no data currently exist on the extent to which students obtain this information. The current plan also states that Education will supplement any data limitations with the results of evaluation studies it conducts or contracts out as well as with the results of onsite reviews or routine monitoring by Department staff. The plan also recognizes that the large number of individual education programs in states, communities, and institutions makes it even more difficult to create sound measurement systems, due to differences in their data collection and reporting techniques, and that it may take several years to fully develop and implement measures to improve reliability.

There are instances, however, where the plan does not indicate how some data limitations will be resolved. For example, there is an objective to ensure that postsecondary students receive the financial aid and support services they need to enroll in and complete their education. One indicator for this objective states that Education will assess whether the gap in college graduation rates between low-income and high-income, and minority and nonminority students is decreasing. The Department plans to acquire these data from the

Beginning Postsecondary Student Study, which is conducted only once every 8 years. As a result, Education has decided to use data from another source. But these data do not capture differences in graduation rates by income level, and the plan does not note how Education plans to acquire these data. In another case, the plan recognizes that Education found a relatively high frequency of mismatches between its National Student Loan Data System (NSLDS) and the loan data provided by lenders and guaranty agencies. These data are used to estimate, for its annual financial statements, Education's liabilities for student loans that it guarantees against possible borrower default. However, the plan does not specify Education's strategy and time frames for validating information in NSLDS to ensure the accuracy of student loan data.

The 2000 plan also describes specific verification and validation efforts. These include working with the National Postsecondary Education Cooperative to improve the efficiency and usefulness of data reported on postsecondary education by standardizing definitions of key variables, avoiding duplicate data requests, and increasing the level of communications between the major providers and users of postsecondary data. Also, the plan outlines a 5-year strategy to streamline and benchmark the collection of elementary and secondary program data. The goal of this system is to provide accurate, comparable information about federal program results to all program participants. Education also plans to work with its Office of Inspector General (OIG) to independently monitor the reliability of its data quality in high priority areas, such as student financial aid. Finally, the plan contains an objective focused on becoming Year 2000 compliant and includes target dates for ensuing compliance of the remaining mission critical and noncritical systems.

Other improvements in the fiscal year 2000 plan are the addition of a more detailed discussion of Education's strategies and time frames for improving its elementary, secondary, and postsecondary performance information and a discussion of the data limitations for each performance indicator. In reviewing the fiscal year 1999 plan, we observed that it did not provide sufficient confidence that elementary and secondary education performance information would be credible and did not sufficiently recognize limitations in the data for these programs. The 2000 plan now includes, for example, a table that lists and defines data quality standards such as timeliness that Education plans to use for evaluating the quality of its performance indicators.

Other Observations on Education's Implementation of Performance-Based Management

The Department of Education has been making progress toward becoming a more performance-driven organization but it still faces major challenges in acquiring sufficient performance data to fully assess its overall program operations and financial condition. Over the past several years, Education has developed departmentwide strategic and performance

plans; placed more emphasis on performance accountability, such as focusing its Goals 2000 program on state and local accountability for standards-based reform and reducing student loan default rates; and has established a new performance-based organization to oversee the operation of the student aid programs. Education has acknowledged in its plan that this is only initial progress and it will require more time to change the culture of its organization toward focusing on the overall impact of its programs and operations.

Since the early 1990s, the Department of Education has been challenged to fully develop an accounting and financial information management system that would generate complete and accurate data to support its performance plans and to produce credible performance reports. Education's OIG reported in its fiscal year 1997 audit report that the Department's financial management systems did not substantially comply with the Federal Financial Management Improvement Act of 1996 due to numerous functional and technical problems. For example, Education does not have a subsidiary ledger to track loan guaranty agency activity for both loans receivable and reserves held by guaranty agencies, which would enhance the financial system capability for accounting for these assets. In addition, although it began to use a fully integrated financial management system in May 1998, the Department experienced difficulties in implementing and operating this new core financial management system. As a result, preparation of the fiscal year 1998 financial statements and the related audit were delayed until the Department reconciles the general ledger data and resolves significant differences between the general ledger and other related information.

Although the Department's fiscal year 1997 financial statement audit reported a clean opinion, the audit also reported a number of material weaknesses and reportable conditions. These include matters such as improving the oversight of guaranty agencies and establishing sufficient controls to detect material errors in its loan liability and subsidy estimates. Yet Education's plan does not detail how the Department will reduce the number of material weaknesses and reportable conditions or which ones will be resolved in 1999 and 2000. In addition, the timeliness of the annual financial statement audit could be improved. The Government Management Reform Act of 1994 requires executive agency financial statement audits for the preceding year to be prepared and submitted to OMB no later than March 1. The fiscal year 1997 financial statement audit was not completed until May 29, 1998, and the fiscal year 1998 audit is not scheduled for completion until August 1999.

In accordance with the Higher Education Act Amendments of 1998, Education has established a Performance Based Organization (PBO) for administering the student aid delivery system. The performance plan describes how the PBO will (1) develop a new system architecture that will integrate the multiple student aid databases based on student-level data, (2) establish industrywide standards for data exchanges to stabilize data requirements and improve data integrity, (3) receive individual student loan data directly from lenders rather than through guaranty agencies, (4) continue to expand interagency coordination on data matches to help improve data accuracy, (5) refine a risk management system encompassing

all relevant data on schools' operation and management of the student aid programs to target enforcement and compliance activities at poorly performing institutions, and (6) strengthen indicators of customer satisfaction to be able to obtain early warnings of possible delivery system problems.

Agency Comments

On May 4, 1999, we obtained oral comments from Department of Education officials, including the Director of Planning and Evaluation Service and staff from its Office of Legislation and Congressional Affairs, on a draft of our summary of Education's fiscal year 2000 annual performance plan. These officials generally agreed with our assessment. They said it provided an accurate and constructive opinion of their fiscal year 2000 performance plan. They also acknowledged that additional work is needed in certain areas of the plan and they plan to continue working with the OMB and others to further improve the plan.

Management Challenges

In December 1998, GAO and Education's OIG reported on issues we identified as the major management challenges and program risks facing the student financial aid programs. Table II.1 summarizes how Education's performance plan addresses these challenges.

Table II.1: Management Challenges in Education's Fiscal Year 2000 Performance Plan

Challenges identified by GAO ^a	Applicable goals and measures in the fiscal year 2000 performance plan ^b
Education's administrative effort is inadequate to ensure access to postsecondary institutions while protecting federal financial interests. For example, the student aid programs provide grants and federally backed loans to a high-risk population, composed largely of low-income students who are not credit worthy. In addition, Education's administration of these programs has contributed to federal exposure to mismanagement and abuses.	Objective 3.3 provides that postsecondary student aid delivery and program management will be efficient, financially sound, and customer-responsive. Three subobjectives are outlined: (1) improve customer satisfaction, (2) reduce the overall cost of delivering student aid, and (3) transform the Student Financial Assistance Office into a performance based organization.
Education does not have a sound, integrated information technology strategy to manage its portfolio of information systems and, therefore, the Department, guaranty agencies, schools, and lenders often do not have the accurate, complete, and timely information on program participants needed to effectively and efficiently operate and manage the programs. (OIG also identified this area as a management challenge.)	None. However, the section of the plan devoted to data verification and validation discusses developing a systems architecture for purposes of integrating the multiple student aid databases. This is also a measurement indicator. Also, indicator 87 relates to this challenge. It states that all Information Technology Investment Board assessments will show that major information systems are mission-driven, cost-effective, and consistent with our information technology architecture, and supported by performance-based contracts. ^c
Lack of adequate financial data hinders management of student financial aid programs, such as Education's ability to prepare financial statements that fairly present the actual financial condition of its student financial aid programs. In addition, although the Department received an unqualified audit opinion on its fiscal year 1997 consolidated financial statements, it continues to lack accurate and reliable data on costs associated with outstanding student loans. (OIG also identified this area as a management challenge.)	None. The section of the plan devoted to data verification and validation outlines several steps Education plans to take to improve student financial aid data. Two performance indicators elsewhere in the plan also promote data quality improvements: indicator 92 states that by the year 2000, the Education Central Automated Processing System (EDCAPS) will be fully implemented and providing Department managers with consistent, timely and reliable financial and program information; and indicator 98 states that by the year 2000, all Education program managers will assert that the data used for their program's performance measurement are reliable, valid, and timely or will have plans for improvement.
Year 2000 computer compliance is lacking. Education faces major risks that Year 2000 failures could seriously disrupt the student financial aid delivery process. Because these systems are interdependent, repercussions from shortcomings related to Year 2000 could be felt throughout the student financial aid community. (OIG also identified this area as a management challenge.)	Objective 4.4—information technology investments are sound and used to improve impact and efficiency—includes as one of its key strategies fulfilling Year 2000 compliance. The measurement indicator for this states that all major information systems needing repair will be converted to Year 2000 compliance by March 1999 (allowing time for testing during 1999).
Education continues to be challenged in balancing oversight of programs and program flexibility. The Congress has eased some federal requirements to	Objective 4.2 provides that partners will have the support and flexibility they need without diminishing accountability for results. Five measurement indicators

Enclosure II
Management Challenges

Challenges identified by GAO^a	Applicable goals and measures in the fiscal year 2000 performance plan^b
reduce paperwork and regulatory burden as it increased state and local responsibilities for managing programs. As a result, the Department does not have enough information on program effectiveness to meet the information needs of the Congress and other decisionmakers.	address this challenge. For example, reports from program monitoring teams and audit reports under the Single Audit Act will show a reduction in significant findings that recur from year to year.
Challenges identified by Education's OIG^d	
Implementation of an effective PBO to operate the student financial aid programs presents major management challenges.	None. However, the strategies, subobjectives, and indicators outlined in objective 3.3 constitute the performance standards for PBO. PBO plans to update these with a 5-year performance plan it will submit to the Congress in September 1999.
The Department's information technology staff still lacks technical expertise for negotiating and overseeing systems contracts.	None. However, one of the seven key strategies for achieving objective 4.4 is to provide project management training to information technology project managers and to develop skills training for all information technology professional staff.
The Department continues to experience start-up and data integrity problems with EDCAPS.	This challenge is addressed by indicator 92—that by the year 2000, EDCAPS will be fully implemented and provide Department and program managers with consistent, timely and reliable financial and program information.
Gatekeeping and institutional monitoring in the student financial aid programs are continuing management challenges.	None.
While the Department now has legislative authority to implement a data match with the Internal Revenue Service to ensure that student financial aid recipients accurately report income to qualify for financial aid, implementation challenges remain.	None. In discussing coordination with other federal agencies, the plan describes working with the Internal Revenue Service to implement this match, which is authorized under the Higher Education Act Amendments of 1998.
"Paperless" systems for student financial aid fund delivery create new opportunities for efficiency and require effective controls to ensure accountability, security, and legal enforceability.	None. However, key strategies for two objectives include attracting more electronic filings of the student aid application and securing Internet services. The plan does not include a more specific discussion of controls or protections.
Performance reporting under the Results Act will require management attention. The Department now needs to take additional steps, including finalizing and implementing a process for the accurate and timely reporting of Results Act performance indicators, in order to comply with the law.	Within goal 4, objective 4.7 includes among its key strategies ensuring assessment of the quality of data systems. Indicator 98 provides that by the year 2000, all Education program managers will assert that the data used for their program's performance measurement are reliable, valid, and timely or will have plans for improvement. A separate section of the plan discusses data and information quality improvement in more detail. It includes (1) working with states to develop a benchmarking system for elementary and secondary program data collection, (2) improving postsecondary program data quality, and (3) recognizing challenges the Department faces in implementing these steps.

^aMajor Management Challenges and Program Risks: Department of Education (GAO/OCG-99-5, Jan. 1999).

Enclosure II
Management Challenges

^bEducation has four mission goals and a number of objectives within each goal. The objectives are numbered by the goal. For example, the first objective of the first goal would be numbered objective 1.1.

^c The Information Technology Review Board advises the Secretary of Education on information technology investments to be funded. It is also charged with reviewing progress of ongoing information technology initiatives and evaluating performance and outcomes.

^d Office of Inspector General, *Management Challenges Confronting the Department of Education*, December 1998 (Washington, D.C.: U.S. Department of Education, Dec. 1, 1998).

Major Contributors

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In addition to the contact named above, Joseph Eglin Jr., Joel Marus, Linda W. Stokes, Chinero N. Thomas, and Heidikitt Winter made key contributions to this report.

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