



Highlights of [GAO-05-31](#), a report to congressional committees

## OFFICE OF FEDERAL STUDENT AID

# Better Strategic and Human Capital Planning Would Help Sustain Management Progress

### Why GAO Did This Study

In 2003, the Department of Education's Office of Federal Student Aid (FSA) managed about \$60 billion in new financial aid. In 1998, the Congress designated FSA as a performance-based organization. In so doing, it specified purposes for the agency, such as to reduce program costs and increase accountability of its officials, and provided flexibilities such as allowing FSA to pay bonuses. Also FSA is required to annually prepare a performance plan and report and have performance agreements for its senior officials. Past reviews revealed serious problems and concerns about FSA's management. In January 2003, GAO reported that FSA had made progress but had not sufficiently addressed some key management issues. Also, GAO noted that FSA, like other agencies needed to address human capital issues. GAO assessed FSA's progress in (1) addressing key management issues and meeting requirements for planning and reporting, and (2) developing a human capital strategy and increasing the accountability of its officials.

### What GAO Recommends

GAO recommends that FSA (1) issue guidance for performing comprehensive compliance reviews, (2) include measures and goals in its performance plans and reports, (3) revise its succession plan, (4) evaluate human capital initiatives, and (5) clarify the criteria for awarding bonuses. FSA generally agreed with our recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-05-31](http://www.gao.gov/cgi-bin/getrpt?GAO-05-31).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Conelia Ashby at (202) 512-8403 or [ashbyc@gao.gov](mailto:ashbyc@gao.gov).

### What GAO Found

FSA has made progress addressing its key management issues; however, its plans and reports do not contain all the required information needed by the Congress and the public to assess FSA's progress in achieving its goals and purposes. FSA's significant improvements in its financial management and internal control are reflected in its receiving an unqualified or "clean" opinion on its financial statements for fiscal years 2002 and 2003. In addition, FSA's fiscal year 2003 financial audit did not identify any material internal control weaknesses. FSA has also made progress in other areas, but to a lesser extent. FSA completed several critical systems integration tasks, but full systems integration is several years away. In addition, FSA has addressed many program integrity issues—factors that could affect the vulnerability of student aid programs to fraud, waste, and abuse—but has not developed guidance to ensure that its comprehensive compliance reviews are being performed as expected. Furthermore, FSA has developed a cost model that has the potential to identify the full cost of its activities and changes in costs over time, but as of July 2004, the model was not fully operational. As a result, FSA has not been able to demonstrate that it has reduced the cost of administering its programs. Also, FSA issued a 5-year performance plan and annual performance reports, but neither included specific measures needed to determine whether FSA has made progress toward meeting its longer-term strategic objectives.

FSA has developed a comprehensive human capital strategy and has taken steps to increase the accountability of most of its officials, but some of the human capital strategy's components and the accountability system have weaknesses. FSA's human capital plan describes the agency's human capital strategy and the strategy's components. For example, FSA has a draft succession plan to prepare for the retirement of key staff. However, this plan has weaknesses. The draft succession plan shows that the agency will redistribute the duties of most retiring staff but does not discuss how the agency will develop the skills of remaining staff to take over new responsibilities. To increase the accountability of its officials, FSA changed from a pass-fail to multilevel performance appraisal systems for its senior officials and included job-specific goals in their performance agreements based on their areas of responsibility. FSA also changed the way it awards performance bonuses, but the criteria were not clear.