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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

The Federal Program To Strengthen Developing Institutions Of Higher Education Lacks Direction

The Office of Education's Strengthening Developing Institutions of Higher Education Program is the primary program of direct Federal assistance to colleges and universities. Title III funds are to assist developing institutions with strengthening their academic, administrative, and student services programs. However, there is no assurance that the program is meeting these objectives. Serious questions remain about who the program should be assisting, how it should be organized, and where it is going.

In 1975 GAO could not evaluate the program because the Office of Education had not defined a "developing institution," nor had it determined when an institution would be considered developed. That situation exists for GAO today.

The Office of Education should do a number of things, including maintaining better control over the expenditure of funds and developing effective performance evaluation procedures. The Congress should consider whether the program is still needed. If so, its goals and purposes should be defined more clearly.

UNITED STATES GENERAL ACCOUNTING OFFICE

HRD-78-170
FEBRUARY 13, 1979

B-164031(1)

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the Strengthening Developing Institutions of Higher Education Program, which is intended to assist institutions which have the desire and potential to make a substantial contribution to the higher education resources of the Nation but which are struggling for survival and are isolated from the main currents of academic life.

The program was authorized by title III of the Higher Education Act of 1965, as amended (20 U.S.C. 1051), and is administered by the Office of Education, of the Department of Health, Education, and Welfare.

We are reporting on the need for the Congress to consider whether the program is still needed; if it decides that it is, the Congress should better define the program's direction and objectives and the Office of Education should strengthen many aspects of the program's administration. Our review was made to follow up on recommendations we made in 1975 and to determine whether the Office of Education was exercising adequate controls over the expenditure of program funds.

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Health, Education, and Welfare.

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

THE FEDERAL PROGRAM TO STRENGTHEN DEVELOPING INSTITUTIONS OF HIGHER EDUCATION LACKS DIRECTION

D I G E S T

This report discusses the Strengthening Developing Institutions of Higher Education Program--under title III of the Higher Education Act of 1965--that is intended to assist institutions having the desire and potential to make a substantial contribution to the higher education resources of the Nation but which are struggling for survival and isolated from the main currents of academic life.

More than 800 institutions had participated in this Office of Education program from its inception in 1966 through fiscal year 1977, and appropriations had exceeded $700 million. Many institutions could qualify for title III grants, but most grants have been made to small institutions that serve primarily minority and low-income students.

While the program has made many worthwhile services possible, the Office of Education could not show how these services have moved the institutions closer to the main current of American higher education. After 12 years, no institutions have graduated from title III. There are no indications that any will soon graduate, even though 120 of the institutions that received funds in 1977-78 had been in the program for at least 8 years. HEW told GAO it does not believe the law implies that institutions must achieve independence from the program.

Unanswered questions remain: Who was the program intended to assist? How should assistance be provided? What are the objectives?

Tear Sheet. Upon removal, the report cover date should be noted hereon.

HRD-78-170

Criteria for determining eligibility, selecting program participants, establishing institution responsibilities in administering grant awards, and evaluating institution performance need strengthening to better assure that

--the most deserving institutions receive funding,

--funds are accounted for, and

--institutions progress toward grant and program goals.

The Office of Education needs to increase its monitoring of grant activities after awards are made. Without better monitoring, it is virtually impossible to determine how successful the program has been in moving schools toward the mainstream of American higher education.

The Secretary of Health, Education, and Welfare should direct the Commissioner of Education to:

--Modify existing eligibility criteria or establish new criteria which identify institutions intended to be served according to the law and which can be used to determine what services these institutions require to reach a developed status.

--Consistently apply these criteria in selecting institutions for the program and measuring their progress toward development objectives.

--Provide institutions receiving grants with more specific guidelines for (1) administering grant funds, including the management of funds paid to providers of services and monitoring the performance of these providers, (2) obtaining technical services, and (3) evaluating program results.

--Reemphasize the need for long-range planning and close coordination of various title III projects funded at individual institutions.

--Consistently apply procedures for selecting grantees, refine the process in which reviewers from other educational institutions review grant applications (field reader process) so that greater credence can be given to readers' recommendations, and make sure that field readers do not have conflicts of interest.

--Monitor institutions more closely. This process should include systematic site visits.

--Resolve audit exceptions promptly.

--Clarify the grantee institution "assisting agencies" (institutions, organizations, and businesses which provide services) relationship and require more competition when selecting agencies to provide services.

GAO made several of these recommendations in a 1975 report on the Strengthening Developing Institutions Program. The recommendations are being repeated because:

--Eligibility criteria the Office of Education uses to identify developing institutions cannot be used to determine why an individual institution is not developed or what it needs to do to become developed. (See pp. 9 to 11.)

--Procedures for selecting institutions for funding are applied inconsistently and rely on subjective determinations. (See ch. 3.)

--Selections are based on a predetermined funding strategy, which means institutions may not have an equal opportunity for funding; therefore, the most deserving institutions may not receive assistance. (See pp. 26 to 28.)

--Many institutions have not properly controlled title III funds. GAO found questionable expenditures, inadequate controls over payments to service providers, and improper reporting and documentation of the use of grant funds. (See ch. 4.)

--The Office of Education has failed to provide institutions with meaningful guidelines for using title III funds and has not adequately monitored grantee financial activities. (See pp. 35 to 40.)

--Most title III activities are cooperative arrangements under which a developing institution receives technical assistance from assisting agencies. (See p. 35.)

--Some assisting agencies exert tremendous influence over the title III program. Some have become highly dependent on title III revenues and actively recruit institutions for their programs. (See pp. 58 to 60.)

--Program evaluations have not been objective, are often incomplete, and do not provide feedback on progress toward long-range objectives. (See ch. 6.)

HEW concurred with GAO's major recommendations and had taken or planned to take steps to implement them. HEW believes that proposed new regulations issued in November 1978 will correct certain problems noted by GAO. While GAO agrees that the proposed regulations might result in some improvements in the administration of the title III program, it is not clear that these revised regulations will be more adequate than the regulations in effect when GAO made its review in assuring that those institutions intended to benefit by the law receive title III support. (See p. 18.)

RECOMMENDATION TO THE CONGRESS

Even though the title III program has operated for 12 years and has spent $700 million, it is beset with problems, and its impact on moving schools toward the mainstream of American higher education is not known.

The operating problems and the more basic problem of adequately defining a "developing institution" are so fundamental and pervasive that we believe the program as presently structured is largely unworkable. Therefore, the Congress should first determine whether or not the title III program should be continued. If it decides that the program should continue, it needs to clarify the program's intent to show which institutions should be served and the goals these institutions should achieve.

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ABBREVIATIONS

GAO General Accounting Office

HEW Department of Health, Education, and Welfare

OE Office of Education

CHAPTER 1

INTRODUCTION

The Office of Education (OE) within the Department of Health, Education, and Welfare (HEW) provides financial assistance to struggling colleges through its Strengthening Developing Institutions Program. Authorized by title III of the Higher Education Act of 1965, as amended (20 U.S.C. 1051 et seq.), this program is the primary source of direct Federal assistance to American higher education institutions. About one-fourth of the institutions in the United States have received title III assistance during the program's 12 years, with more than $700 million in grants having been awarded through fiscal year 1977.

The law provides title III funds to assist institutions in strengthening their academic, administrative, and student services programs. Also, the program is intended to help institutions to achieve growth and national visibility. To achieve these goals, participating institutions often use title III funds to buy services from other institutions and private organizations, referred to as "assisting agencies."

LEGISLATIVE HISTORY

Former President Lyndon Johnson proposed legislation for a program to strengthen developing institutions in his education message to the Congress in January 1965. He stated that many of the Nation's smaller schools were having accreditation problems, had become isolated from the main currents of academic life, and were struggling for survival. The President believed that Federal aid was essential to assist States and private sources in solving these problems. He recommended a strength-through-union program, where the less developed institutions could increase their competitiveness by drawing on the resources of stronger schools.

Several Members of Congress were also concerned about the future of small colleges, particularly the predominantly black colleges in the South. The early rationale for legislation to assist such colleges was expressed in House Report 89-621 dated July 14, 1965:

> "Smaller and inferior colleges are beset with a series of problems which most often appear insoluble. They are generally plagued by limited financial support; high dropout and

transfer rates; a narrow span of course offerings; and insufficient library, laboratory, and instructional equipment. But it is these chronic inadequacies that make it difficult for developing institutions to attract the sort of assistance they need to overcome their failures. The problem is circular. The colleges are poor, so they cannot become better * * *."

The Strengthening Developing Institutions Program became law on November 8, 1965. The program was "to strengthen the academic quality of developing institutions which have the desire and potential to make a substantial contribution to the higher education resources of the Nation." The Congress defined "developing institution" as an institution of higher education which

--provides an educational program for which it awards a bachelor's degree, or is a junior or community college;

--is accredited by a nationally recognized accrediting agency or is making reasonable progress toward accreditation;

--meets the above requirements for the 5 years preceding the academic year for which it seeks assistance; and

--meets such other requirements as (1) making a reasonable effort to improve the quality of its teaching and administrative staffs and of its student services and (2) for financial or other reasons, is struggling for survival and isolated from the main currents of academic life.

The Commissioner of Education was authorized to develop more specific eligibility criteria. To help the Commissioner identify developing institutions and establish priorities and criteria for making grants, the law established an Advisory Council on Developing Institutions. The original legislation required that 78 percent of title III appropriations would be allocated to institutions which award bachelors degrees and 22 percent to institutions which do not award such degrees but provide at least a 2-year program.

The title III program was intended to strengthen developing institutions. One method for effecting this purpose was by establishing cooperative arrangements. This included projects such as the exchange of faculty or students, faculty and administrative improvement programs, new curricula, cooperative education programs, and joint use of facilities. The legislation also authorized the granting of National Teaching Fellowships to graduate students and junior faculty members from developed schools who agreed to teach at developing institutions for periods up to 2 years. Usually, these students and faculty members were to replace faculty who had been given release time to further their education.

The Higher Education Amendments of 1968 (Public Law 90-575) authorized Professor Emeritus Grants under title III to allow professors retired from developed institutions to continue their teaching careers at developing schools when OE determines that the individuals will meet an educational need of the developing institution. The Education Amendments of 1972 (Public Law 92-318) and 1974 (Public Law 93-380) provided limited waivers of the accreditation requirements for institutions attempting to enhance the educational opportunities of Indian and Hispanic students. The 1972 amendments also increased the 2-year colleges' share of title III funding to 24 percent.

USE OF TITLE III FUNDS-- THE BASIC AND ADVANCED PROGRAMS

In fiscal year 1974, OE divided title III into the Basic and Advanced Institutional Development Programs. The Advanced program was to provide special assistance to developing institutions which had shown a potential for accelerated progression into the mainstream of higher education. The Advanced schools could receive larger grants to help them achieve "developed" status within a fixed number of years. Less developed schools could receive continued funding under the Basic program to improve their overall programs.

Basic program

The Basic Institutional Development Program was to uplift small, weak colleges through cooperative arrangements, National Teaching Fellowships, and Professor Emeritus Grants.

Most Basic grants were used to pay a portion of the costs of planning, developing, and carrying out cooperative arrangements between developing institutions and other institutions or organizations. These arrangements focused on the areas of curriculum development, faculty development, administrative improvement, and improvement of student services.

Under the Basic program, schools could receive funds for bilateral and consortium arrangements. Under a bilateral arrangement, one developing institution receives direct services from one other institution or organization. The consortium arrangement allows developing institutions to pool their resources or to receive services as a group from one or more institutions or organizations.

Basic grants were awarded under a competitive continuation system, wherein developing institutions competed for funding each year, but were not limited in the number of years they could be funded.

Advanced program

The Advanced Institutional Development Program grew out of a realization that eligible schools were in widely varying stages of development. OE believed that many institutions just outside the mainstream of higher education could become developed in a short time through a substantial, short-term infusion of funds. The Advanced program was created to provide these funds.

The Advanced program was oriented more toward the support of comprehensive institutional development than was the Basic program. The major focus of the Advanced program was on the developing institution's capabilities for comprehensive planning, institutional planning, and evaluation. Advanced grants were intended to be larger than Basic grants and to cover a 3- to 5-year grant period. The grants were made with the expectation that Federal funding would be phased out at the end of the grant and replaced by funds obtained from alternate sources.

Advanced program grants were also awarded on a competitive basis. To be selected for the Advanced program, schools normally had to rank near the top of all schools which applied for both Basic and Advanced grants. Although previous participation in title III was not a requirement for Advanced funding, most Advanced schools were formerly in the Basic program. (See app. III.)

Applicants for Advanced grants had to show detailed plans for accomplishing their goals. Plans were designed specifically for the applicant school. Cooperative arrangements funded under Advanced grants were normally bilateral rather than consortium. The only exceptions to this were two large and two small consortia under which assisting agencies (see next page) provide technical assistance and evaluation services to all institutions in the Advanced program. The two large consortia represented 95 4-year and 49 2-year institutions and were funded at $832,500 and $460,500, respectively, for fiscal year 1977. The two small consortia represented 7 4-year and 29 2-year institutions and were funded at $84,500 and $190,000, respectively, for fiscal year 1977.

ASSISTING AGENCIES

The title III legislation authorizes cooperative arrangements "between developing institutions and other institutions of higher education, and between developing institutions and other organizations, agencies, and business entities." These third-party institutions and organizations are commonly referred to as assisting agencies, and both the Basic and Advanced programs made use of assisting agencies.

Most title III Basic program activities are conducted through cooperative arrangements; therefore, the use of assisting agencies was greater than in the Advanced program, where schools were required only to have at least one cooperative arrangement for each grant. Some organizations and institutions participated as assisting agencies in both the Basic and Advanced programs.

Assisting agencies provided a variety of services to title III institutions, depending on the nature of the cooperative arrangement and the level of assistance sought. Schools often participated simultaneously in several cooperative arrangements, each with its own assisting agency. Similarly, an assisting agency for a consortium arrangement (see p. 4) might be helping a number of schools simultaneously.

Assisting agencies provided assistance under cooperative arrangements through on-campus visits, consultations, workshops, seminars, special materials, and other methods as agreed upon by the institution and the agency.

Assisting agencies were paid by grantee institutions, which were legally responsible for grant expenditures. In a consortium arrangement, one or more schools were designated as coordinating institutions and were responsible for securing assisting agencies, managing grant funds, and monitoring program activities.

PROGRAM FUNDING AND AWARD PROCESS

The following table shows title III appropriations available for grants to institutions from program inception in 1966 through fiscal year 1977.

Fiscal year	Basic program	Advanced program	Total
1966	$ 5,000,000	$ -	$ 5,000,000
1967	30,000,000	-	30,000,000
1968	30,000,000	-	30,000,000
1969	30,000,000	-	30,000,000
1970	30,000,000	-	30,000,000
1971	33,850,000	-	33,850,000
1972	51,850,000	-	51,850,000
1973	51,850,000	35,500,000	87,350,000
1974	51,992,000	48,000,000	99,992,000
1975	52,000,000	58,000,000	110,000,000
1976	52,000,000	58,000,000	110,000,000
1977	a/52,776,440	58,000,000	110,776,440
Total	$471,318,440	$257,500,000	$728,818,440

a/Includes $476,440 reprogramed from other OE appropriations, and $300,000 from the fiscal year 1978 title III appropriation.

Institutions' requests for title III funds usually exceeded available funds by four to one. Through fiscal year 1977, 680 institutions had received title III grants, and another 141 institutions were to have received indirect benefits from the program through participation in consortia.

Title III requires applicants to show that they have adequate policies and procedures to provide for (1) the efficient operation of proposed projects, (2) adequate fiscal controls, (3) evaluations of project effectiveness, and (4) making such reports as the Commissioner of OE may require to carry out his functions under the program.

The Strengthening Developing Institutions Program is jointly administered by two divisions in OE. OE's Division of Institutional Development and Continuing Education is responsible for the day-to-day administration of the program, including identifying eligible institutions, jointly negotiating grant awards, and evaluating program results. The Grant and Procurement Management Division in the Office of Management is responsible for the initial logging in of applications, jointly negotiating grant awards with the program office, and resolving questionable expenditures. The title III program is centralized in Washington, D.C.

SCOPE OF REVIEW

Our review was conducted at OE headquarters in Washington, D.C., 19 colleges and universities, and 7 assisting agencies. Through their participation in consortium and bilateral arrangements, these schools and assisting agencies are associated with many other title III schools, "developed" institutions, and assisting agencies.

At OE we reviewed policies, procedures, and reports relative to the overall implementation and administration of the title III program. We also visited or contacted officials at three OE regional offices. We analyzed available documentation and interviewed officials responsible for the establishment of program criteria, selection of grantees, project monitoring, resolution of questionable costs of items, and evaluation of program results.

The 19 schools included 2-year and 4-year institutions and institutions representing the major ethnic/racial populations served by title III. We chose schools with varying levels of involvement in the program, including institutions which served as coordinators for title III consortia. At each of these institutions, we reviewed their controls over the administration of grant funds and the delivery of services under cooperative arrangements with assisting agencies.

We visited assisting agencies which were heavily involved in the title III program and which provided technical assistance to the institutions we visited and to many other institutions participating in the title III program. At these agencies, we reviewed procedures for administering program funds and the methods of providing services under cooperative arrangements.

Our work also included a followup on issues presented in our prior report to the Congress on title III. 1/

1/"Assessing the Federal Program for Strengthening Developing Institutions of Higher Education," MWD-76-1, Oct. 31, 1975.

CHAPTER 2

NEED TO CLARIFY PROGRAM DIRECTION

The Strengthening Developing Institutions Program is beset with many problems. Basic to each problem is that the program lacks direction. Neither the Congress nor HEW has defined the intent of the program in such a way that its progress in meeting its goals can be measured. After 12 years of operations and more than $728 million in grant awards, fundamental questions are largely unanswered.

--What is a developing institution?

--How does a school reach the mainstream of higher education?

--Which institutions should receive priority?

--How long will title III funds be necessary?

Although we identified title III projects which provided valuable services to institutions, no institutions have been identified as having reached the mainstream of higher education as a result of their participation in title III. Of the 244 institutions which received grants in academic year 1977-78, 120 had been in the program for at least 8 years.

In an earlier report to the Congress on the status of the title III program, we discussed some of the problems involved in identifying eligible institutions and selecting activities for funding. We reported that the eligibility and selection criteria then in use did not show a correlation to the objectives stated in the law, and we made recommendations to HEW for correcting this problem. HEW agreed that the criteria should be modified.

Some improvements were made. However, the basic problem identified in our earlier report remains--there is no assurance that the Strengthening Developing Institutions Program is meeting the objectives of the law. There are serious questions concerning who the program should be assisting, how it should be organized, and where it is going.

We believe that OE's inability to adequately organize title III assistance into a cohesive program to help institutions become part of the mainstream of American post-secondary education has also contributed to the other problems we noted in the administration of the title III program and which we discuss in subsequent chapters, as follows:

--Need to reaffirm selection procedures. (See ch. 3.)

--Need to strengthen controls over funds. (See ch. 4.)

--Need for better planning and accounting for services under title III projects at participating institutions. (See ch. 5.)

--Need to develop effective performance evaluation procedures. (See ch. 6.)

EVOLUTION OF ELIGIBILITY CRITERIA

During hearings which eventually led to the creation of the title III program, there was concern over the inability to arrive at a practical definition of a developing institution. While OE officials could show certain characteristics of such schools, they were unable to identify the factors which cause developing institutions to be outside the higher education mainstream. Several Members of Congress commented on this lack of specificity, and noted that the term "developing institution" could be defined in such a way that virtually any college could qualify.

The Congress included only general eligibility requirements in title III of the Higher Education Act of 1965. (See ch. 1.) It authorized the Commissioner of Education to issue specific eligibility criteria through program regulations.

OE issued the first regulations for the title III program in May 1974--more than 8 years after passage of the legislation. The regulations were updated in June 1975. The June 1975 title III regulations (45 C.F.R., part 169) contained a series of quantitative and qualitative factors to be used in determining whether applicant institutions met the legislative requirements of (1) making a reasonable effort to improve the quality of faculty, administration, and student services and (2) struggling for survival and isolated from the main currents of academic life.

The quantitative factors were those identified by OE as the "most important quantitative measures" available for determining eligibility in line with the legislative requirements. The eight factors identified are shown below.

2-year institutions	4-year institutions
1. Full-time equivalent enrollment	1. Full-time equivalent enrollment
2. Full-time enrollment	2. Percent of faculty with doctorates
3. Percent of faculty with masters degrees	3. Average salary of professors
4. Average salary of faculty	4. Average salary of instructors
5. Percent of students from low-income families	5. Percent of students from low-income families
6. Total expenditures for educational and general purposes	6. Total expenditures for educational and general purposes
7. Total educational and general expenditures per full-time equivalent student	7. Total educational and general expenditures per full-time equivalent student
8. Total volumes in library	8. Total volumes in library

OE set upper and lower quantitative limits for each of these factors prior to the annual review of applications. Limits were established for four categories of institutions--2-year public, 2-year private, 4-year public, and 4-year private.

Institutions failing to meet one or more of these quantitative standards were not necessarily ineligible for participation under title III. The regulations provide that such institutions would be allowed to show OE that not meeting one or more standards "does not materially alter the character of the institution."

Institutions which meet the quantitative criteria or were determined by OE to warrant further consideration were evaluated under qualitative standards. The qualitative factors included in determining eligibility fell under three basic groupings--enrollment, quality of personnel, and institutional vitality.

Under the enrollment grouping, the regulations listed such factors as

--percentage of freshmen completing their first year,

--percentage of freshmen who eventually graduate from the institution, and

--number of graduates continuing their education.

The qualitative factors on enrollment data were assessed over a 3-year period. Institutions with high percentages in the categories were considered developing; however, if a decline in the enrollment occurred at an institution, it might have demonstrated that such a decline was not inconsistent with continued institutional viability.

Factors considered under the personnel grouping included the percentage of personnel with advanced degrees and the institution's salary scale. Institutional vitality considerations included the institution's planning and fundraising capabilities.

After applicant eligibility was determined, OE selected institutions for funding. This was accomplished through a peer review of competitive proposals submitted by the applicants. This process is discussed in chapter 3.

The Advisory Council on Developing Institutions estimates that under 1975 program regulations, 1,000 schools--or about one-third of the Nation's colleges and universities--could qualify for title III funding. Also, many studies have shown that from one-fourth to one-third of American higher education institutions have experienced financial problems. OE officials told us that, through fiscal year 1977, more than 800 institutions had participated in the program.

DEVELOPMENTAL STAGES

Some institutions are more developed than others. This prompted OE in 1973 to establish the Advanced Institutional Development Program to make grants to more highly developed institutions which were considered to be close to, but not in, the mainstream of higher education. It was expected that these schools would eventually reach a stage where they would no longer need title III assistance. Under the Basic program, OE continued to offer grants to the less developed schools so that their overall quality might be improved. Proposed new regulations, which were published on November 2, 1978, would establish a single program rather than distinguishing between Basic and Advanced institutions. OE believes that this would better allow OE to recognize the various stages of development and different needs of institutions.

According to OE officials, developing institutions could apply for funding under either the Basic or Advanced programs, or both. While all schools must have met the eligibility criteria described on page 10 to be considered developing, Advanced applicants had to undergo a second screening to see if they were advanced developmentally compared to other applicants. This second evaluation was based on such institutional characteristics as

--enrollment and trends in enrollment;

--number of full-time faculty, faculty-student ratios, and qualifications of faculty members;

--present and projected financial position;

--ability to attract and retain qualified students;

--ability to attract qualified faculty; and

--past success in and present capability for conducting developmental programs.

Advanced schools also had to comply with the following requirements which did not exist before the program was divided.

--Submit a long-range development plan.

--Receive large, multiyear grants (limited to 5 years).

--Develop a strategy to replace title III funds with funds from other sources at the end of the grant period.

Institutions ineligible under the Advanced program might have received grants from the Basic program. OE's policy was to not give institutions grants from both programs during the same implementation period.

As shown on page 6, the title III appropriations approximately doubled after the creation of the Advanced program. Since fiscal year 1975, OE has granted more money under the Advanced than under the Basic program.

THE PROBLEM--A LACK OF DIRECTION

In October 1975, we reported to the Congress that OE had not developed adequate eligibility criteria for the title III program. We recommended that HEW

--reconsider the criteria for identifying developing institutions so that they identify those institutions intended to benefit by the legislation,

--modify the criteria as necessary and apply them consistently, and

--use the eligibility criteria as a means to evaluate the overall impact of the program.

OE concurred that the title III criteria needed to be modified to more precisely identify developing institutions; however, OE continued to use essentially the same criteria we criticized in 1975, and as a result the problems we noted earlier persisted.

The June 1975 eligibility criteria cannot measure a school's status of development. They describe what OE considers to be characteristics of developing institutions, but they cannot be used to show why a school is outside the higher education mainstream or what it needs to reach it. Improvement in these characteristics does not necessarily mean that development has taken place. In a January 1977 study for OE by a private research team, a similar conclusion was reached. The study report stated that

> "* * * (we) see no reason to assume the levels of activity undertaken by an institution necessarily relate to its location on some pattern or sequence of development. In other words, we see no reason to believe that "developed" institutions spend more money per student, have more library volumes, have a higher proportion of faculty with doctoral degrees, have a higher proportion of low income or ethnic minority students, admit a higher proportion of clever students, have a larger development office, undertake more curricula reform, or indeed differ on any other traditional activity measures. More important, the converse may equally be true: active institutions need not be developed. Increasing budgets, student enrollments, numbers of faculty, number and variety of courses offered, or any other activity need not

cause a change in the pattern of institutional development." 1/

OE officials agreed that the 1975 eligibility criteria were not good measures of a school's development status. The eligibility criteria were not used to (1) rank schools in relation to their peers, (2) identify areas of development in which the school needed assistance, or (3) plot the school's development progress. As noted in our previous report, this is illogical.

Although creation of the Advanced program was an attempt to make a distinction among institutions based on their development stages, it only divided institutions into two broad categories. Institutions within either category differed considerably in their stages of development. Also, recognizing the problems with the eligibility criteria and that OE permitted institutions to apply for funds under the program of their choice, some Basic institutions might have been more advanced than certain Advanced schools. Many schools applied under both programs. In fiscal year 1977, 42 schools (2- and 4-year) applied under both the Basic and Advanced programs. Eighteen were funded under the Advanced program and 16 under the Basic program. The others did not receive funding from title III for that year. OE contends that the single program concept included in the new regulations would allow it to better recognize the various stages of institutions' development.

Many Basic institutions have moved to the Advanced program since 1973, and during this review we identified many valuable services which were provided to institutions. However, the "up and out" goal originally set for the title III program by OE has not been met.

Commenting on a draft of this report, HEW officials stated that the law did not imply that institutions "graduate" from the title III program. However, we believe that the goals which were established for the Advanced program (see p. 15) support a position that OE intended that institutions eventually reach the mainstream of postsecondary education. We believe that the law implies that institutions which are a part of the main currents of academic life should

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1/"The Development of Institutions of Higher Education: Theory and Assessment of Impact of Four Possible Areas of Federal Intervention," Harvard University Graduate School of Education, Jan. 1977.

be considered ineligible for the title III program. Also, in November 1978 HEW issued proposed revisions to the title III program regulations which state, in part, that

> "No funds may be used under this part for activities that are inconsistent with the purpose of moving the grantee institution into the main currents of academic life."

The inability to measure the progress of program participants is shown by OE statistics on the first 12 years of title III. No institutions have been identified as having progressed through the program into the mainstream of higher education, despite the fact that 120 of the institutions receiving title III funds in academic year 1977-78 had been in the program for at least 8 years. (See apps. II and III.) OE could not provide statistics for these institutions showing (1) they had progressed toward the mainstream of higher education through the use of title III funds or (2) how long title III assistance would be necessary. Most initial goals for Advanced institutions have not been met. For example:

--Some schools have received more than one grant award under the Advanced program, in contrast to OE's original plan of one large multiyear grant.

--The size of the grants has not been as large as originally envisioned. Some Advanced institutions have received less than some Basic schools over a comparable period.

--Institutions have been unable to generate funds to replace funds from title III.

--OE now plans to extend funding under the Advanced program beyond its original 5-year limit for institutions whose grants are terminating.

--Six institutions which received Advanced grants in fiscal years 1974-77 were instructed by the branch chief of the Advanced program to submit their applications for school year 1978-79 under the Basic program.

CONCLUSIONS

Although many schools have received worthwhile services as a result of title III funding, the program, after 12 years and over $700 million, is beset with problems:

--It is virtually impossible to determine the program's impact on moving schools toward the mainstream of American higher education.

--OE has failed to implement adequate eligibility criteria to enable measurement of institutions' progress against their established goals.

--OE has not identified any graduates of the program, has not determined the development status of current participants, and has not placed a sufficient emphasis on long-range development planning for each school when it requests title III assistance.

--Accomplishments attributable to the program to date and how much is yet to be done cannot be readily determined.

Therefore, the Congress should first determine whether or not the title III program should be continued. If the Congress feels that the program should be continued, it should clarify the program's intent through amendments to the law.

RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary of HEW direct the Commissioner of Education to:

--Establish eligibility criteria that would take into consideration the intent of the Congress in continuing the program and that (1) will identify those institutions intended to be benefitted by the law and any amendments thereto (see recommendation to the Congress which follows) and (2) can be used to determine what these institutions require to reach developed status.

--Consistently apply those criteria in selecting institutions for program participation (see ch. 3).

--Use the refined criteria as standards for measuring the progress of funded institutions in meeting specific step by step categories of development which would move them toward their ultimate goals.

Also, the Commissioner should be instructed to emphasize the need for institutions to plan their activities so that, ultimately, title III assistance is no longer necessary. OE needs to establish more specific categories of development for each institution so that OE can closely monitor the progress of each institution to insure that it is moving consistently toward the mainstream of higher education.

The Secretary of HEW should oversee the implementation of these recommendations to assure that the direction of the title III program and the roles and responsibilities of participating institutions, assisting agencies, and OE are clearly defined.

AGENCY COMMENTS AND OUR EVALUATION

By letter dated December 13, 1978, HEW stated that it did not believe that the legislation implies that institutions "graduate" from the title III program, and therefore it did not concur with our recommendation that institutions must achieve a status of independence from the program. (See app. IV.)

HEW agreed that new eligibility criteria for the title III program which include new parameters to sharpen eligibility requirements for the identification of developing institutions were needed.

On November 2, 1978, HEW published for comment proposed amendments to the title III regulations. These proposed regulations would revise the criteria (see pp. 9 to 11) for determining whether an institution should be considered as a developing institution. Under the proposed regulations, the determinations of whether an institution is struggling for survival and is isolated from the main currents of academic life would be based on

--the average educational and general expenditures per full-time equivalent student (lower averages rank the institution higher in terms of its being considered as developing) and

--the average Basic Educational Opportunity Grant award per full-time equivalent undergraduate student (higher averages rank the institution higher in terms of its being considered as developing).

The proposed regulations provide that, if an institution does not rank high enough when these two quantitative factors are considered, the institution may submit a written statement explaining why it should be considered as a struggling institution and one which is isolated from the main currents of academic life.

Other changes in the proposed regulations include (1) requiring institutions to demonstrate constructive efforts toward strengthening themselves, (2) establishing a single program rather than having two--the Basic and Advanced, and (3) using weighted selection criteria and specifying how applications will be ranked.

In its letter, HEW said that institutions will identify their state of development and indicate the program(s) that will assist them to reach their development goals. HEW also stated that there are two sets of criteria in the new regulations--one for establishing eligibility as a developing institution and one for evaluating applications--and that these criteria will be consistently applied in selecting institutions for program participation.

HEW also concurred that the eligibility criteria should be used to measure the progress of institutions in achieving development goals. It said the Commissioner has moved to reorganize the Division of Institutional Development and to establish a planned program of monitoring, grants administration and technical review, and technical assistance activities. Further, HEW said that these changes, in combination with the proposed regulations which clarify eligibility and new funding criteria, will make it possible for OE to evaluate the various and complex stages of development of funded institutions in a more consistent manner.

It is not clear to us that HEW's proposed regulations will identify those institutions which are struggling for survival and isolated from the main currents of academic life, as was intended by the law. By assigning very heavy weighting factors to the two quantitative criteria--average educational and general expenditures per full-time equivalent students, and average Basic Educational Opportunity Grant awards per full-time equivalent undergraduate student--HEW might not be adequately considering other academic or funding characteristics of institutions, which might result in many institutions which are providing valuable services and are struggling for survival being ruled ineligible for the program. The regulations are not clear concerning how institutions which do not attain enough points under the above two criteria could substantiate why the criteria do not sufficiently reflect their status as struggling and isolated institutions.

We reviewed the comments of several persons representing institutions and organizations which have an interest in the title III program. Generally, they favored many of the regulations' proposed changes; however, most were very much concerned about the use of the two heavily weighted quantitative criteria to determine whether institutions should be considered developing. They believed that additional criteria were needed which measure the academic characteristics of institutions and not just institution and student funding characteristics.

We believe that more study and consideration of possible alternatives or additional criteria, which more completely describe the types of institutions which should be funded under the program, are needed.

RECOMMENDATION TO THE CONGRESS

The title III program is the primary Federal program of direct aid to institutions of higher education and has provided worthwhile services to many schools. However, the Congress included only general eligibility requirements for title III assistance in the Education Act of 1965.

Even though the program has operated for 12 years and has spent $700 million, it is beset with problems, and its impact on moving schools toward the mainstream of American higher education is not known.

The operating problems and the more basic problem of adequately defining a "developing institution" are so fundamental and pervasive that we believe the program as presently structured is largely unworkable. Therefore, the Congress should first determine whether or not the title III program should be continued. If it determines that the program should be continued, it should clarify the purpose of the Strengthening Developing Institutions of Higher Education Program by providing as much specific additional guidance as it can to HEW concerning the types of institutions which the program should serve and the ultimate goals that should be achieved by these institutions. The Congress should also determine whether the funding strategies (see p. 27) and other criteria including those in the proposed new regulations, (see app. V) are appropriate and in keeping with the intent of the law.

CHAPTER 3

NEED TO REAFFIRM SELECTION PROCEDURES

Due to the large number of institutions which have been determined to be eligible for title III assistance, OE has been unable to fund all applications. In 1977, for example, 593 institutions requested more than $463 million; available funding was $111 million. Therefore, OE must be selective in making grant awards.

OE subjects title III applications to three reviews: (1) a determination of institution eligibility, (2) a competitive review by field readers, and (3) a final decision on funding by OE. Because these selection procedures were often inconsistently applied, institutions might not have been afforded an equal opportunity to obtain funding and it is questionable whether the most deserving institutions were provided title III assistance. Final selections of grantees were often based on OE's subjective determinations.

DETERMINATION OF ELIGIBILITY

Some criteria for eligibility under title III--such as those related to the type of educational programs offered and accreditation status--were established in the law. Others--involving quantitative and qualitative measurements of such factors as enrollment and quality of faculty--were established by the Commissioner of Education in the title III program regulations.

Eligibility determinations differed for the Basic and Advanced programs. A Basic institution had to establish eligibility each time it applied for funding. An Advanced institution was evaluated for eligibility only if it had never before received title III funding.

Eligibility determinations were based on judgments by OE staff which took into consideration the minimum eligibility criteria and the quantitative and qualitative factors discussed in chapters 1 and 2. Statistical records were not maintained to show why individual institutions were or were not considered eligible. Once an institution was determined eligible for title III, it was unlikely that the institution would lose that eligibility unless it first lost its accreditation. The acting director of the title III program told us that only one institution had lost eligibility for this reason since inception of the program. Also, as mentioned earlier, 120 institutions which received grants in academic year 1977-78 had been in the program for at least 8 years.

The factors which made an institution eligible for title III were not considered in the subsequent stages of the selection process. One institution was never "more eligible" than another, since eligibility determinations were not used to rank schools according to their needs.

TECHNICAL REVIEW

After the initial determinations of eligibility but before final consideration for funding, most title III applications received a technical review by a group of specialists from the higher education community. These "field readers" reviewed institution applications to determine whether the proposed projects satisfied published program criteria. After reviewing the applications and considering requested funding levels, the field readers made funding recommendations to OE.

Field readers generally included a representative number of individuals from (1) predominantly white, black, Indian, and Hispanic institutions, (2) 2- and 4-year institutions, (3) public and private institutions, (4) developing and "mainstream" institutions, and (5) private organizations associated with institutions of higher education. Separate groups of readers were chosen for the Basic and Advanced programs.

Field readers for the Basic and Advanced programs met in separate sessions each year to review title III applications. The timeframe for these reviews normally consists of about a week for each program. For fiscal year 1977 grants, field readers reviewed 410 Basic and 74 Advanced applications. Therefore, there was little time for detailed analyses of applications. Title III officials told us that the cost of the field reader process for academic years 1977-78 and 1978-79 was $108,926 and $157,644, respectively.

OE provided the field readers with copies of the title III regulations, technical review forms, and a statistical profile (3-year history) on each school filing an application. The readers also were briefed on how to complete the technical review forms which OE subsequently used in making the final funding selections.

OE guidance to field readers also included program priorities which were outlined in the title III regulations. These stated that applications demonstrating the following were to receive the highest consideration for funding:

Basic applications

--A major focus on providing a successful educational experience for low-income students.

--Promise for moving colleges into the mainstream of higher education through long-range planning and improvements in development and management.

--Coordination with other Federal, State, and local efforts to produce a maximum impact on the needs of developing institutions.

--With regard to junior and community colleges, that they serve the needs of students in urban areas.

--Good communication between faculty, students, administration, and where appropriate, local communities in the planning and implementation of the institution's development efforts.

Advanced applications

--The provision of training in professional and career fields in which previous graduates of developing institutions were severely underrepresented.

--An increase of many graduates of developing institutions prepared for emerging employment and graduate study opportunities.

--The development of more relevant approaches to learning by utilizing new configurations of existing curricula as well as various teaching strategies.

--The development of new or more flexible administrative styles.

--The improvement of methods of institutional effectiveness so as to increase the fiscal and operational stability of the institution and improve its academic quality.

OE let the field readers assign relative importance to these priorities in the technical review process. OE officials told us that they wanted field readers' reviews to be based solely on an impartial appraisal of the information contained in the institutions' applications.

Technical reviews were intended to provide OE with objective third-party appraisals of the relative merits of applications being considered for grants. However, the procedures followed in conducting the external reviews resulted in inconsistent and inconclusive recommendations for final funding and many readers had conflicts of interests.

<u>Field readers have conflicts of interest based on OE procedures</u>

To insure independence of technical reviews, OE procedures stipulate that individuals with conflicts of interest may not serve as field readers. Under the procedures, individuals have conflicts of interest if their schools have applications pending in the program for which they are a reader. Waivers of the conflict-of-interest restriction may be granted in certain cases, but only under extreme circumstances, such as when the technical review could not otherwise be held, and with proper approval by specially designated OE officials.

OE did not follow its procedures for avoiding conflicts of interest in the technical review of Basic program applications for fiscal year 1977. Of the 95 field readers who participated in the review, 23 (24 percent) worked for institutions which had applications pending for Basic program funding. OE officials told us that the use of these individuals was necessary to insure a proper representation from developing institutions and that no field reader was allowed to review his school's applications. However, there was no evidence that a waiver had been granted to any of these individuals before the review process.

The procedures for conducting a technical review also permitted OE staff personnel to serve as field readers under certain conditions. However, no readers were to be selected from the program office responsible for the final review unless waivers similar to those for conflicts of interest were granted. In fiscal year 1977, staff members from OE's Division for Institutional Development (the title III program office) participated in the review of applications for both the Basic and Advanced programs. OE officials told us that the use of these individuals was necessary to complete the review panels and to supplement the recommendations of the external readers. Again, we found no waivers allowing the program office personnel to function as field readers for title III applications.

Field reader recommendations
inconsistent and inconclusive

An application for title III funding is reviewed by at least five field readers during the technical review process. The readers assign a rating score to the application as a whole and to the individual projects included in the application. Generally, field readers also recommend the level of funding an institution should receive for its projects.

OE used the individual field reader ratings to develop a composite rating for each application. The composite ratings were then used to rank all applications in the order in which they should have received priority consideration for funding in each program.

The value of the field reader recommendations to OE was questionable. The priority listings developed from the field reader ratings might not have ranked schools according to their developmental needs, and we noted many inconsistencies in the rating process. For the technical review process for fiscal year 1977 grants, for example:

--Not all Advanced program applications received field reader reviews. Applications from institutions which had previously received Advanced grants were, in accordance with procedures outlined in the OE grants manual, referred directly to OE staff for funding consideration on an individual basis. These applications for continued funding were not prioritized in relation to new applications for funding.

--Eighteen of the 410 Basic applications came from institutions which had already been recommended for first-time funding under the Advanced program. Basic program field readers gave no indication that the 18 institutions were any more developed than other Basic schools. They ranked the applications from a high of 5 to a low of 396 on the priority listing, but these same institutions were considered among the most qualified for Advanced program funding.

--Applications under the Basic program for consortium arrangements were often submitted separately from the institutions' applications for projects under bilateral arrangements. Accordingly, these applications were treated separately in the technical review process and were ranked individually on the priority listing. Because different field readers likely would review bilateral and consortium proposals from the same institution, field readers were not able to determine whether the consortium projects were compatible with other projects at the participating institutions, nor how all title III projects together would assist the schools in moving toward the mainstream of higher education.

Additionally, there were many variances in the recommended funding levels by the various field readers for the same application. For example, the following table shows one Basic program institution's requested funding, funding levels recommended by five individual readers, and the actual funding approved by OE for nine projects.

Project number	Amount requested by institution	Funding recommended by field readers A	B	C	D	E	Actual funding approved by OE
1	$ 78,660	$ 65,000	$ 58,500	$ 63,718	$ -	$ -	$ 61,158
2	61,903	35,000	50,000	28,075	-	49,900	20,580
3	54,480	-	40,000	30,235	24,300	54,480	3,700
4	74,258	-	35,000	50,418	1,000	62,258	46,255
5	31,205	-	-	30,705	1,000	31,205	3,650
6	47,235	-	30,000	30,585	1,000	32,235	-
7	36,760	36,000	-	33,688	1,000	36,760	-
8	52,893	-	-	38,573	1,000	52,893	13,588
9	29,824	29,000	-	-	-	29,824	26,100
Total	$467,218	$165,000	$213,500	$305,997	$29,300	$349,555	$175,001

The above variances in recommended funding levels were typical of many field reader recommendations in the Basic program. Variances in field readers' recommended funding levels for Advanced applications were not as pronounced as they were in the Basic program.

FINAL FUNDING DETERMINATIONS

After the field reader reviews, Basic and Advanced program staffs separately determined which projects would be funded and how much each institution would receive. Field reader recommendations influenced the final determinations, but they were not the only factor considered. Also considered were total available title III funding, legal requirements for 24 percent of available funds for applications from 2-year institutions, commitments for continued funding under multiple-year projects, and OE's predetermined funding strategies. (See p. 27.)

Title III awards for fiscal year 1977 (1977-78 school year) revealed many inconsistencies in the manner in which procedures used to select institutions for funding were applied by OE. These inconsistencies resulted in questionable awards.

Advanced program

OE relied on field readers' recommendations in awarding initial grants under the Advanced program more than it did in the Basic program. After dividing the priority listing developed during the technical review into 2- and 4-year institutions, the Advanced program staff funded the applications most highly recommended by the field readers. At least 24 percent of the total amount awarded went to 2-year institutions.

The above procedures were followed only for initial grants. In December 1976, OE advised institutions whose original 3- to 5-year grants were expiring that they might be eligible for continuation grants to carry them through June 30, 1978. These continuation grants were to enable institutions to continue their activities pending the development and implementation by OE of an effective fund replacement mechanism for the title III program. OE did not want these institutions to be faced with an abrupt cutoff of Federal funds without having alternate sources of funds to carry on activities initiated under the title III program. These applications were not subject to field reader technical reviews and they received priority over first-time applications. In fiscal year 1977, for example, OE approved 22 applications for continuation grants totaling $4,827,000. These funds were set aside before any applications for new grants were considered.

OE officials told us that continuation grants were given to institutions whose previous grants were near expiration and who would encounter financial hardships in continuing programs initiated under the Advanced program. Since these institutions were considered most deserving of Advanced grants in the past, their applications for continued assistance received priority over first-time applications of other institutions, provided that OE determined that satisfactory progress had been made under the initial grant.

By awarding continuation grants under the Advanced program, OE might have encouraged activities which lessened the likelihood that institutions would move into the mainstream of higher education because:

--Continuation grants were noncompetitive. Consequently, OE could not be assured that grants went to the most deserving institutions, and it might reward institutions which were unable to meet their original objectives.

--Continuation grants could have provided disincentives for institutions to develop substitute funding for title III activities. This was contrary to the "up-and-out" goals of the Advanced program.

OE told schools that had participated in the Advanced program for 5 years--OE's originally established maximum award period--that they could apply for new long-term grants in fiscal year 1978. Under such an arrangement, the incentive to develop other sources of revenue could be further diminished.

Basic program

Although Basic program staff used field readers' recommendations as a guide and 2-year institutions received at least 24 percent of program funding, final selections for grants varied greatly from the priority listing developed from the technical review of Basic applications.

This was because OE followed a predetermined funding strategy for the Basic program. This funding strategy set standards for the distribution of program funds among colleges representing the various ethnic and racial populations in American higher education. In 1977, for example, OE established the following standards for institutional support under the Basic program:

Predominant racial/ethnic population served by institution	Percent of total appropriation
Black	49
White	34
Hispanic	9
Indian	8

The funding strategy also emphasized awarding grants to institutions previously funded under title III. In fiscal year 1977, OE predetermined that no more than 16 schools could receive first-time Basic grants. Also, these institutions had to serve primarily minority or disadvantaged students. As a result of constraints imposed by the funding strategy, many subjective judgments entered the selection process under the Basic program.

OE title III officials told us that this funding strategy supported the Federal role of equal educational opportunity. They said the heavy emphasis on funding nonwhite institutions was intended to prevent the program's "drift into general, small-college support."

Selections made by Basic program staff were further subject to changes at higher levels of authority within OE. In 1977, there were 190 Basic grantees. This number included 4 institutions which were not recommended for funding by the Basic program staff and did not include 12 which were recommended for funding by the staff. For 42 other institutions, the amount of funding was either increased or decreased from levels recommended by the staff. OE officials told us that many of these changes were necessary to meet the predetermined funding strategy.

Some of the changes in funding were made after the original recommendations of the Basic program staff were contested by the institutions or assisting agencies involved. In one such instance, the Commissioner of Education elected to continue funding a project under a multiple-year grant even though (1) the Basic program staff recommended that it not be funded, (2) the assisting agency receiving most of the funds had not conformed to the terms of the grant, and (3) the project did not directly involve the grantee institution. The title III regulations state that:

> "The continued funding of these [multiyear] projects will be contingent upon the continued eligibility of the applicant institution(s), institutional progress and the availability of Federal funds." (45 C.F.R. 169.27)

When the assisting agency challenged the Basic program staff's decision not to fund the project, the Commissioner approved a grant award on the basis that OE had made an "administrative error" in not continuing to fund a grant previously approved for a multiple-year period. As part of the Commissioner's February 9, 1978, response to us regarding reasons for the changes in awards to Basic institutions, he explained that

> "When constituent challenges were raised last year, it was difficult to defend the program's unfavorable funding decisions on the basis of their rankings when so many of the program's <u>favorable</u> funding decisions had been at variance with those rankings. I've instructed the

Bureau to correct this unacceptable situation. In addition, we are developing legislative and regulatory proposals which we believe will clarify the purposes and strengthen the administration of this essential program."

The inconsistent application of the selection procedures is evidenced by an analysis of the final listing of Basic program grantees for fiscal year 1977. Our comparison of these awards with the recommendations of the field readers and awards made in previous years revealed the following:

--Many institutions which received large grants from OE had received recommendations for low levels of funding from field readers. For example, the institutions which received the 3rd, 6th, 25th, and 26th largest grants were ranked 201, 206, 254, and 305 on the priority listing developed during the technical review.

--Many institutions which received comparatively high field reader ratings did not receive grants. For example, the institutions ranked 16, 38, and 42 on the field reader priority listing received no funding at all.

--Generally, schools which had been in the title III program for several years received funding preference. Of the 31 institutions which received grants of $500,000 or more, 23 had been involved in the title III program for at least 10 years.

--Institutions which were members of a single large, multifunction consortium arrangement of predominantly black, 4-year colleges received the largest grants. Of the 50 largest grants, 42 went to institutions which had been members of this consortium arrangement during the previous year.

--In most cases, the level of funding was based on the amount awarded an institution in the previous year. Two title III program officials involved in determining funding levels said that this was normally a greater consideration than either the amount (1) requested by the institution or (2) recommended by the field readers.

The inconsistent application of selection procedures in the Basic program raised questions about whether (1) institutions were treated equally in the competitive process and (2) the most deserving institutions received grants.

CONCLUSIONS

In selecting institutions for title III funding and determining grant amounts, OE's procedures have been inconsistently applied, and determinations have been subjective. These inconsistent applications and subjective determinations gave preference to institutions which had participated in the program for several years. This might not have been conducive to awarding grants to institutions with the most critical needs or the greatest opportunity for advancement. It also might have caused these institutions to become dependent on this support rather than seeking ways to replace this money with other sources of funding. Thus, OE cannot be assured that the most deserving institutions were receiving funds or that the projects funded were necessary for the development of the institutions.

It is inconsistent to use one set of criteria for identifying institutions eligible for title III assistance and another set for selecting grantee institutions. OE should be able to (1) identify those factors which cause an institution to be considered developing or outside the mainstream of American higher education and (2) fund activities designed to uplift the institution in those needed areas.

The OE funding strategy referred to on page 27 might have further contributed to awarding grants to institutions less likely to reach the mainstream.

RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary of HEW direct the Commissioner of Education to reaffirm the need to adhere to title III program grantee selection procedures which provide for consistent treatment of applications (giving appropriate consideration to factors related to institution eligibility). This should result in grants being awarded to the most deserving institutions, based on eligibility determinations, and alleviate the current subjectivity. Grants should be used for projects aimed at uplifting institutions in those areas which cause them to be eligible for title III assistance.

Also, the Secretary should direct the Commissioner to give special attention to improving the field reader process by

--appropriately screening field readers to insure that they do not have conflicts of interest,

--giving appropriate written clearance if field readers with possible conflicts of interest must be used--this practice should be allowed only in rare circumstances, and

--providing appropriate guidance to field readers so that greater reliance can be placed on their recommendations.

Deviations from recommendations of field readers and program staff should be fully justified and explained.

AGENCY COMMENTS AND OUR EVALUATION

HEW concurred with our recommendations and said that a number of changes have occurred in the grant awards process since the fiscal year 1977 funding cycle. HEW said that the new regulations with their revised criteria will bring about consistent treatment of applications and should result in grants being awarded to the most deserving institutions.

While we agree that the revised regulations might provide for consistent treatment of institutions with regard to the eligibility criteria, we believe that HEW should consider additions or alternatives to the proposed revised criteria. (See pp. 18 and 19.) By not specifying how institutions which do not receive sufficient points under the proposed regulations' quantitative factors might justify their being included among eligible developing institutions, HEW might not consider regional differences which might affect income of students and expenditures of institutions and other unique characteristics of institutions. Therefore, we do not think that HEW can be sure that the most deserving institutions will be judged eligible for funding.

In regard to the panel review process, the Commissioner has called for the development of a new slate of panelists. The current plan is to replace one-third of the readers on an annual basis. In addition, several other features were introduced in the fiscal year 1978 evaluations. (See app. IV.)

HEW stated that for these evaluations all reviewers had to be approved in accordance with the provisions of HEW's Grants Administration Manual. Individuals were judged to have a conflict of interest if their institution had a pending application. However, such persons were allowed to serve as a reviewer if the Deputy Commissioner of Education certified that without such person(s) it would not be practical to constitute an adequate review (e.g., the only individual with specialized expertise in the field). Justification to use such individuals was submitted in writing and approved by the Commissioner of Education.

Also, the Division of Institutional Development devised a new orientation program in which readers were carried through both weak and strong sample applications for a critique and discussion. OE further agreed that when a reviewer submitted an inadequate evaluation, or when the program staff determined that all evaluations were inadequate, the Bureau of Higher and Continuing Education would reconvene additional panels to reread the proposals.

If the procedures outlined by HEW are made a formal part of the application review process for the title III program, and if they are properly adhered to, we believe that the field reader process will be improved and greater credence can be placed in the reviewers' determinations. However, OE should not allow persons with possible conflicts of interest to sit on panels except in very rare circumstances. We believe that sufficient numbers of qualified reviewers can be obtained to preclude persons with such conflicts from serving on panels, except in rare cases.

CHAPTER 4

NEED TO STRENGTHEN CONTROLS OVER FUNDS

Title III grants are intended to assist developing institutions which are struggling for survival for financial and other reasons. OE cannot fund all applications from eligible title III institutions. Therefore, grants which are made must be used efficiently and effectively so that maximum benefit will accrue to participating schools. However, adequate financial controls for the title III program have not been established to ensure that benefits from grants are maximized.

OE has not provided grantee institutions with guidance for administering Federal funds and has not established post-award procedures to review expenditures under title III grants. This has led to mismanagement of Federal resources by the institutions. At most of the institutions we visited, payments to assisting agencies were inadequately supported, questionable charges to grants were made, grant funds were carried over to succeeding fiscal years by institutions and assisting agencies (without prior OE approval), and inaccurate and misleading financial reports were submitted to OE by the institutions.

ELIGIBLE EXPENDITURES

The Education Act of 1965, as amended, required that the title III program establish procedures to insure that funds are spent efficiently and in line with program objectives. Specifically, the law requires OE to approve only those applications for assistance which

--outline a plan for the efficient operation of proposed projects,

--set forth procedures to insure that Federal funds will supplement (but never supplant) other sources of funding,

--provide for fiscal controls and accounting procedures necessary for the proper disbursement of and accounting for program funds, and

--establish procedures for reporting and recordkeeping necessary for program monitoring.

The law also directs the Commissioner of OE to establish regulations containing additional criteria for eligible expenditures under title III grants. The June 1975 title III program regulations make title III participants subject to OE's General Provisions for Programs (45 C.F.R., part 100).

The General Provisions contain guidelines for the fiscal administration of numerous OE programs. Because the provisions cover a large number of programs, they are necessarily broad; however, they do provide tests for determining the allowability of costs under OE grants. A cost is normally allowable if it

--is reasonable (the action a prudent man would take most of the time),

--can be allocated to a specific agreement approved by OE,

--is consistent with generally accepted accounting practices, and

--conforms to the specific exclusions or limitations of the approved agreement.

After an institution is approved for a title III grant, OE and the grantee institution negotiate an agreement for conducting grant activities. This agreement includes a detailed budget to control the subsequent expenditure of funds under each grant arrangement. The grantee institution then assumes responsibility for conducting grant activities and administering grant funds.

NEED TO STRENGTHEN CONTROLS OVER GRANT ADMINISTRATION

A title III grant may include any number of individual projects or cooperative arrangements, each with its own budget and planned activities. There is no "typical" title III grant. Each school has its set of projects, and the project mix may vary from year to year. For example, one school we visited was involved in only one title III arrangement in 1976-77, and that was as an unfunded participant (receives services but is not directly funded) in a consortium arrangement; another school received direct funding under four bilateral and three consortium arrangements and was an unfunded participant in five additional consortium arrangements during the same period.

Controls over title III funds at the institution level were inconsistent and often did not comply with HEW's established procedures. This was true of controls among different schools as well as among various arrangements at the same school. Generally, grantees' controls over funds were as follows:

--The most stringent controls were placed over bilateral arrangements under which most of the funds were expended on campus. In these cases the schools followed their normal procedures for expending Federal funds, recording costs, and maintaining documentation.

--Less stringent controls were evident for grant funds paid to assisting agencies, especially in consortium arrangements where these agencies were often responsible for a large segment of program activities.

In many instances, the institutions' control over the expenditure of title III funds did not meet the standards set by the law and the general grant provisions. The major problems identified were (1) inadequate support for payments made by grantee institutions to their assisting agencies, (2) questionable charges to grants for selected items of costs, (3) carrying over grant funds beyond authorized grant periods without OE approval, and (4) inaccurate and misleading reporting of financial activities to OE.

Officials at many schools we visited had widely varying interpretations of the intent of the regulations on such issues as establishing relationships with assisting agencies, determining allowable costs, and obtaining grant period extensions.

Insufficient controls over payments to assisting agencies

Assisting agencies have become deeply involved in the title III program. Institutions receiving Basic program grants used assisting agencies in each cooperative arrangement funded and often assigned them a major portion of the responsibility for carrying out grant activities. OE required each school participating in the Advanced program to have at least one substantive arrangement with such an agency.

Assisting agencies cannot receive direct funding under title III since the law stipulates that only developing institutions can be grant recipients. All payments to assisting agencies are made by grantee institutions in return for technical services provided under specific cooperative arrangements. In fiscal year 1977, more than $10 million was scheduled for payments to assisting agencies. These payments accounted for 10.8 percent of the Basic program awards and 8.7 percent of the Advanced program awards.

The amounts individual institutions pay assisting agencies vary considerably, depending on the types of projects in which they participate. For example, one institution visited had paid out $580,000, or two-thirds of its title III Basic grant funds, to six different agencies during the 1976-77 grant period. Another institution visited had paid out only about 2 percent ($42,000) of its total multiyear Advanced grant to assisting agencies. Payments under the Basic program to assisting agencies by schools under bilateral arrangements and by developing institutions serving as grantees for consortium arrangements (coordinating institutions) tended to be larger.

To some agencies, title III arrangements were relatively minor activities and represented insignificant portions of their total revenues. Other agencies rely heavily on funds received by grantees under title III.

The following table shows the importance of title III arrangements in 1976-77 to four of the seven agencies we visited:

	Assisting agency			
	A	B	C	D
Number of cooperative arrangements:				
Consortium	-	1	2	3
Bilateral	21	62	1	44
Funding from title III arrangements:				
Total	$38,800	$861,239	$852,900	$1,164,030
Percent of total revenues	30.1	48.6	92.5	76.6

Although grantees may enter into arrangements under which assisting agencies carry out grant activities, the institution is responsible for the use and control of grant funds. The General Provisions state that the grant recipient shall administer or supervise the activities and services for which Federal assistance is sought and that the grantee "shall not transfer to others responsibility in whole or in part for the use of Federal funds or for the conduct of project activities, but may enter into contracts or arrangements with others for carrying out a portion of any such activities."

Title III grantees have not adequately carried out their responsibility before making payments to assisting agencies. We noted the following examples:

--Grantees based payments to assisting agencies on <u>budgeted</u> projections rather than <u>actual</u> agency cost records and performance.

--Assisting agencies did not provide institutions with adequate documentation to show actual use of funds.

--Documentation that was provided was not properly analyzed by grantee institutions to determine whether the costs (1) were allowable under the terms of the General Provisions, (2) could be allocated to specific projects, and (3) were related to services provided to the institutions.

We found numerous instances of deficient monitoring of assisting agency activities by grantees. For example:

--An institution paid an assisting agency about $580,000 in title III Basic funds under a bilateral arrangement over a 2-year period. The assisting agency was to use the funds to operate a center to improve undergraduate instruction in predominantly black institutions through faculty development. The school paid the agency the approved budget amount in each year, but had no documentation to show how the funds were used or what benefits were received. A school official could not adequately explain what the agency was doing with the money and admitted that the grantee school had received no benefits from the arrangement. We later found that the agency was using the funds to enable college and university faculty to carry on independent research projects. Examples of research projects undertaken by faculty attending the center, many of whom were from Advanced program institutions and nondeveloping institutions, included completion of a multivolume history of the black struggle for freedom in the United States, research into the "life and art of black women blues singers of the 1920s as a creative response to racism," and "analysis and texture of black life in an urban environment." The grantee school, which received funds under the Basic program, never sent a participant to the center.

--An assisting agency received $38,800 from 21 institutions under bilateral arrangements during 1976-77. While the agency received the fully budgeted amount from each grantee, based on our review of assisting agency documentation many of the institutions received only a portion of the services to which they were entitled. Assisting agency officials told us that they did not provide documentation on actual expenditures because none of the institutions requested it.

--An institution paid three assisting agencies a total of $82,000 under its multiyear Advanced grant through June 1976. These payments were made in response to billings submitted by the agencies during the year. In no case did the institution attempt to verify that the agencies actually incurred the costs for which they were reimbursed.

The absence of proper controls over payments to assisting agencies is most prevalent under consortium arrangements, under which the levels of funding are higher and the influence of assisting agencies is often greater. Many coordinating institutions exercise virtually no control over the activities of their consortia's assisting agencies and function mainly as channels for title III funds. For example:

--One coordinating college we visited could provide no meaningful support for payments of $585,000 to the consortium's assisting agency in 1976-77. The college paid the agency the budgeted amount in 10 installments, but had not reviewed the agency's cost records to determine whether the funds were actually expended in accordance with the budget.

--Another coordinating institution received detailed cost records from the assisting agency to support the expenditure of $595,350 it paid the agency in 1976-77. However, institution officials agreed that they do not attempt to verify that charges are reasonable or question the appropriateness of expenditures other than obvious violations of OE regulations such as excess payments to consultants. We called several questionable costs, such as high furniture rentals, to the attention of the school's grants management officer.

Many of the problems in monitoring payments to assisting agencies exist because OE has not defined the role of assisting agencies under title III and the way coordinating institutions and other developing institutions should interact with them. The program regulations and the General Provisions do not discuss assisting agencies as such, and OE has not issued further instructions to the institutions on how payments to these agencies are to be administered. Also, OE apparently has no control over the activities of the assisting agencies once the grant is awarded, since the agency is not a grantee. OE's only control is over the grantee institution, which must conform to the terms of the grant agreement.

Both the Basic and Advanced programs required institutions to negotiate agreements with assisting agencies showing services to be provided by the agency, payments to be made by the institution for these services, and time schedules for completion. These agreements were intended to give the institution some measure of control over the expenditure of funds and provision of services and to provide a basis for preparing the program budget.

The agreements for many cooperative arrangements at the institutions we visited did not provide the institutions an adequate level of control over the assisting agencies. The agreements were frequently so broad that they were of little use in monitoring the performance of the agencies. We had difficulty determining (1) whether the agency was a contractor, a subgrantee, or a consultant, (2) whether payments were to be made on a fixed-fee or cost reimbursement basis, and (3) what services were to be performed by the assisting agencies. In some cases, we could not locate the agreements.

Grantee institutions did not understand their responsibilities for managing funds paid to assisting agencies. An official at a coordinating institution for a large consortium arrangement said that he had never been able to determine the functions of a coordinating institution. Officials at other institutions told us that OE had not provided meaningful instructions for monitoring the activities of assisting agencies.

According to OE officials, the General Provisions are the only regulations now available to the institutions showing how title III funds may be used. While these regulations explain that an institution is responsible for funds paid to an assisting agency, they do not provide specific guidance for (1) selecting an assisting agency, (2) formulating an agreement for services to be provided, (3) establishing procedures for making payments, and (4) monitoring the performance of the agency.

In March 1977, OE issued new memorandum instructions to institutions to clarify the assisting agency-institution relationship. The instructions provide additional information on establishing cooperative arrangements and submitting funding applications. However, these instructions do not provide the detailed guidance institutions need in forming and controlling their relationships with assisting agencies.

OE officials admitted that the regulations in effect at the time of our review were not adequate for effective grants management in the title III program.

<u>Questionable charges to grants</u>

OE provided the General Provisions to institutions as a guide to determining allowable costs, and each institution had to abide by the cost principles set out in the regulations. Under the General Provisions cost was allowable if the grantee could show that it was reasonable, followed accepted accounting standards, and could be allocated to a project budget approved by OE. The provisions supplemented these basic tests with more specific instructions for determining the allowability of selected items of costs, such as personal services, travel, consultants, equipment, and rental of facilities.

Grantees and assisting agencies we visited often did not follow the established cost principles in charging costs to title III grants. Although discrepancies varied in type and degree among the institutions and agencies visited, their frequency pointed to a general weakness in the area. Throughout the program, we found

--a lack of understanding on how the cost principles in the General Provisions were to be applied,

--insufficient documentation to support expenditures, and

--an inability to match expenditures with the accomplishment of project objectives.

In many cases, the General Provisions did not adequately specify the allowability of costs under title III arrangements. However, many charges by institutions and assisting agencies appeared to violate the "reasonable cost" criterion outlined in the regulations. The most common examples of this were charges for personnel costs (salaries and fringe benefits) and consultants--normally two of the largest items budgeted under a title III grant.

Salaries and fringe benefits

Under most title III grants, the largest single portion of funds is budgeted for salaries and fringe benefits for personnel working on project activities at the institutions or assisting agencies. The General Provisions allowed the institutions and agencies to follow their normal procedures in budgeting these costs, but required that any payments must be reasonable in view of the services rendered.

We found that charges to title III grants for salaries and fringe benefits were not always consistent with the individual's participation in the applicable projects. For example:

--The executive director of an assisting agency received a salary of $40,000 in 1976-77, with 90 percent of this amount derived from title III.

Charges to title III and other work were calculated by pro-rating his salary among the various activities he performed at the assisting agency (Federal and non-Federal). Because of a lack of detailed documentation, we were unable to substantiate how much actual time the director devoted to title III activities. However, based on a normal work schedule and the amount of time we were able to document that he devoted to non-Federal activities for 1 month, it appears that he could justify about 73 percent, at most, as chargeable to title III rather than the actual charge of 90 percent for that month. During this same period he served as the director of a non-Federal organization at a yearly salary of $30,000.

--The director of a large consortium project charged 100 percent of his salary to the consortium budget, even though he was simultaneously involved in at least three other projects supported by both Federal and non-Federal funds. No records were maintained to show how much actual time he devoted to any particular project. In one instance, however, the director spent several weeks out of the country working on one of the other projects while continuing to draw his salary through the consortium members during his absence.

--An institution (1) used title III funds to pay two employees' salaries which exceeded the approved budget allowances by $5,000 each, (2) failed to fill three positions (total salaries of $41,000) shown in the title III budget which the institution had agreed to fund as a needed part of the project, and (3) used title III funds from the Professor Emeritus program to pay two of the college's staff, which is contrary to program intent.

--Two institutions used title III funds to fill positions which were not approved in their budgets. Two other institutions used individuals other than those named in their budgets to fill positions on title III projects.

In most cases, the institutions and assisting agencies did not keep records to show actual time spent by salaried individuals on title III projects. Thus, most of these institutions or agencies received the budgeted amounts without having to provide any verification of the services which were provided.

Consultants

The General Provisions place two major requirements on the use of consultants under OE grants:

--Payments to a consultant may not exceed $100 a day without prior written approval from OE.

--The grantee must maintain a written report on all consultations. This report must show (1) the consultant's name, and dates, hours, and amounts charged to the grant, (2) the names of the grantee staff to whom services were provided, and (3) the results of the consultation.

These requirements were not consistently followed at the institutions and assisting agencies we visited. For example:

--An institution paid a consultant $280 a day for 24 days in one instance and $300 a day for 4.5 (consultant) days in another, without prior OE approval.

--Another institution paid $12,000 to one individual during 1976-77. Part of this was paid on a flat rate of $3,000 a month. Records were not maintained to show the actual number of days worked.

--An assisting agency used funds earmarked for consultants to pay a portion ($12,500) of the salary of the chairman of its board of directors.

--A second agency paid two salaried employees for consultations on projects other than those to which they were assigned.

In most cases, there was limited documentation to support (1) why certain consultants were chosen, (2) what they did to earn their fee, (3) how the fee was negotiated, or (4) how the consultation benefited the program to which the charge was made. Also, grantee institutions had virtually no knowledge of how their assisting agencies used consultants.

Other

While the above were the most common types of questionable charges to the title III program, there were other instances at the institutions and agencies we visited where we believe that, under cooperative arrangements, title III funds were questionably used. For example:

--An institution had used title III funds to purchase short-term, interest bearing certificates. The interest from these certificates was not returned to the Treasury, as required by the provisions.

--One agency used $108,000 in title III funds for 1975-76 to offset deficits experienced in the agency's other Federal and non-Federal programs.

--A consortium arrangement funded by both title III ($75,000 a year) and non-Federal sources had accumulated reserves of more than $140,000 by the end of fiscal year 1976. A consortium official told us that none of the reserves were title III funds, since the consortium ensured that Federal funds were always the first revenues expended. Since the consortium had such sizable reserves, we questioned the need for such a large title III grant. The consortium official said that the reserve was being accumulated so that the consortium could be self-sufficient if Federal support were terminated. OE officials told us that they were unaware of the consortium's large reserves.

--An assisting agency used title III funds to pay a portion of the costs to relocate its headquarters in another city. The agency could not show how these costs were related to services to be provided under specific cooperative arrangements.

There were also several other charges to title III which appeared to be unreasonable. Examples of such charges included improper allocation of travel charges among parties to cooperative arrangements, duplicate reimbursements for meals, use of first class air travel by school officials and assisting agencies without prior approval, and other charges.

For example, an assisting agency official used title III funds to pay for travel on assignments involving other Federal agency programs. Also, a school provided travel advances based on estimated costs without adjustments to reflect actual expenses incurred. At another school, persons working on title III projects submitted combined meal payment requests even though some persons performing as consultants received per diem which included meal allowances. Other charges to title III included office alterations and bar expenses and lunches at a "topless" restaurant. Also, we found instances where an assisting agency charged 100 percent of the costs of monthly legal retainer fees and employee parking fees to title III even though the agency carried on other activities.

Funds not obligated during grant periods

The General Provisions state that grants are available for obligation only during the period specified in the grant award document. According to an OE Grants Office official, any funds not obligated by the end of the grant period must be returned to the Government or be used to reduce the amount of a subsequent grant. He also said that an institution may obtain an extension of the grant period, but must be able to show that funds will be used for a scheduled activity which could not be conducted during the grant period. Requests and approvals for such extensions must be in writing.

In some cases the institutions visited had carried over title III funds beyond grant periods without OE approval. One school had been accumulating such balances since 1973. At the time of our visit, the school had over $81,000 in excess funds. A school official said that he had contacted OE about this matter, but had received no instructions for disposition of the funds.

Another school was operating its title III account on a fiscal year basis that differed from the approved grant year. We could find no evidence that the school had obtained permission to operate its title III account in this fashion for 1975-76. It had $136,354 in unobligated funds at the close of the year.

We also found that some assisting agencies not only had not expended their funds within the grant period but also, on occasion, had used funds received under specific title III grants for other purposes. For example:

- --An agency used excess grant funds of $84,000 in 1976-77 to supplement the following year's activities in similar program areas.
- --Another agency which did not match title III funds with expenditures for project activities included all title III funds in the agency's general operating funds. Many budgeted costs were apparently never incurred; however, no funds were returned to the grantee institutions.

Grantee institutions using these agencies showed grant funds as obligated because they had paid the budgeted amounts to the assisting agencies. The institutions were not aware that the funds were used for other purposes or remained in the assisting agencies' accounts.

When grant funds were left over at the end of the grant period, institutions and agencies did not use them to conduct previously scheduled title III activities. These funds were normally used to supplement the following year's funding or offset deficits in other Federal or non-Federal programs. We found no cases where OE had collected excess funds or reduced the following year's grant, because funds were still available at the end of the grant period.

Inadequate postaward monitoring

Title III services are provided at the institution level, so OE must rely on reports by the institutions to insure that funds are used in accordance with the approved budgets. The law requires that an application for title III funding

> "provides for making such reports, in such form and containing such information, as the Commissioner may require to carry out his functions under this subchapter, and for keeping such records and affording such access thereto, as he may find necessary to assure the verification of such reports."

OE requires each title III grantee to file periodic reports on its use of grant funds. In the Basic program, institutions were to submit quarterly or semiannual progress reports and a financial status report within 90 days of the expiration of the grant. In the Advanced program; schools were to submit quarterly financial reports throughout the multiyear grant period. The financial reports submitted by the grantees were to show how institutions had adhered to their approved budgets for each arrangement or project and summarize total amounts authorized, obligated, and onhand at the end of the reporting period. Occasionally, OE supplemented its reviews of institutions' reports with site visits (see p. 70) to institutions and assisting agencies.

At the institutions we visited, financial reports submitted to OE were not always an accurate representation of grant activities. In many cases, the financial reports and actual cost records did not agree on the amounts obligated. This occurred because the institutions

--planned to spend excess funds even though they had not been obligated;

--used budgeted amounts rather than actual obligations as the basis for preparing the reports; or

--recorded amounts budgeted for assisting agencies as obligated when the institutions paid the agencies, even though the funds might not have been expended for project activities.

Although the financial reports submitted by the institutions might provide a broad view of how program funds were used, we noted that they were not timely and did not provide details for selected items of cost. Thus, OE could not use the financial reports to determine whether the cost principles set out in the General Provisions were being followed.

Other problems with OE's postaward monitoring activities include the following:

--Grantee evaluation reports normally did not include an evaluation of funding controls.

--Desk reviews by OE were very informal and often amounted to little more than a filing process.

--There was little OE followup on the reports submitted by the institutions. We found no instances at the institutions we visited where OE questioned the information shown on the financial reports or requested additional support for the use of grant funds.

--Site visits were too few in number and normally included only a superficial review of controls over funding. The OE Grants Office, which has final responsibility for the use of grant funds, did not participate in site visits unless a major deficiency was suspected.

OE officials said that they realized their postaward monitoring activities were not adequate, but that they were unable to do more because staff reductions (see p. 71) had decreased OE's ability to perform indepth reviews of financial reports and make site visits. They said that, for this reason, they must rely heavily on the integrity of the grantees' own cost accounting and reporting systems.

<u>Identification of high-risk grantees</u>

OE's operating procedures for grants administration recognize that certain applicants may "present relatively high risks * * * for assuring proper programmatic use and financial stewardship of grant funds." Such organizations were characterized by the following:

--Poor financial stability.

--Inexperience in managing Federal grants.

--Heavy financial dependence on Federal support.

--Serious deficiencies in program and business management systems.

--A history of unsatisfactory performance, material violations of terms and conditions, or large cost disallowances on previous awards from Federal programs.

The operating procedures stipulate that an organization identified with any of these factors was a "high-risk" grantee. In such cases, OE may elect to (1) not award the grant, (2) award the grant with special terms and conditions and subject it to closer monitoring by OE, or (3) award the grant and a separate contract for appropriate technical assistance to the grantee.

Many title III participating schools appeared to meet one or more of the high-risk factors; however, an OE official told us that these special provisions had not been used because they might unnecessarily damage the public's image of the schools involved. We believe that with proper controls, OE could preclude "labeling" institutions as high-risk and still provide these schools with the type of close technical assistance they need.

EXCESS PAYMENTS TO ASSISTING AGENCIES

The Grants and Procurement Management Division is responsible for resolving audit exceptions concerning the title III program. We found that the HEW Audit Agency questioned an assisting agency's charges to the title III program and that a $90,891 audit exception involving another assisting agency was not properly resolved. A title III official exceeded her authority by instructing the second assisting agency to disregard a contingent liability carried on the agency's books which included the $90,891 audit exception. Also, an HEW Audit Agency informal report questioning about $59,000 of expenditures was not followed up by the audit agency. We found that at a third assisting agency, fees totaling about $351,000 were received from title III institutions for services delivered at a cost to the agency of about $229,000. The "excess" funds were transferred to the agency's general program account for use in covering deficits in other Federal and non-Federal projects.

Unresolved audit exception

At an assisting agency we visited, results of an HEW financial audit were not reported to the OE Grants Office for disposition until almost 3 years after the audit was performed and several months after we began inquiring about the status of the report. An initial report was prepared by HEW's New

York Regional Audit Agency (Region II) and covered the period March 24, 1971, to June 30, 1973. The HEW auditors recommended that an assisting agency reimburse the Government $90,891 ($85,190 overhead and $5,701 interest income from unused grant funds). According to the auditors, the charges for overhead represented unallowable fees or profits charged by the assisting agency, rather than overhead costs. According to OE grant procedures, any income earned on funds received under a grant before they are spent must be refunded to the Government. Assisting agency officials contended they had a contractual relationship with a developing institution and that the overhead charges represented what they considered an allowable fee to the agency under the contract. They also asserted that the fees were used to underwrite other aspects of their educational and charitable activities.

In February 1977, HEW's title III program Director met with assisting agency officials to discuss the audit and in April 1977 wrote the agency and relieved it of its contingent liability to the Government, including the $90,891 questioned by the HEW Audit Agency.

In July 1977, we discussed the 1974 report with representatives of the HEW Audit Agency's Atlanta and Washington offices and asked about its status. They were unaware of any followup on the audit exception at that time.

In August 1977 we provided the HEW audit report and the title III Director's comments to OE's grants office Director. He subsequently told us he was not aware of this matter. After reviewing the material, he told us that the title III official made an incorrect decision in relieving the assisting agency of the contingent liability and the employee had also exceeded the authority vested in the position of Director of the title III program. In a September 1977 meeting with an OE Deputy Commissioner, the Chief of the title III Advanced program branch, and the Grants Office Director, we discussed this matter and similar occurrences at other assisting agenccies. We asked that these matters be followed up and that we be apprised of actions taken and of any restitutions made to the Government. In a subsequent discussion with the Grants Office Director, we were told that due to other priorities and lack of staff, these matters had not been followed up.

We met with officials of HEW's Audit Agency in June 1978, and they told us that their Atlanta office had issued a formal report containing the $90,891 audit exception raised by the New York audit agency and that as far as they were concerned it represented a debt owed the Federal Government. They agreed that there was an excessive delay between the 1974 New York report and the August 1977 Atlanta report, but that they planned to pursue this matter.

Other questionable charges to title III program by assisting agencies

Example 1

Another assisting agency's certified public accountants would not certify its financial statements ending June 30, 1972, because they believed that specific guidelines for the expenditure of OE funds were lacking and a Federal audit might question certain of the agency's expenditures and disallow them.

The Washington HEW Audit Agency reviewed certain of this agency's expenditures charged to title III and prepared a draft report in February 1975 which questioned overhead costs of about $59,000. The questionable charges arose because the assisting agency charged overhead at the rate of 15 percent of total direct costs; however, the audit claimed that the agency charged overhead with elements of costs which were charged as direct costs to the title III program. The audit report stated that, since items charged as direct costs to Government contracts must be charged uniformly to all activities of the organization in order to preclude overcharges to the Government, the $59,000 should have been eliminated from the overhead charges. An HEW auditor provided the assisting agency an unofficial statement of his audit findings and recommendations.

In commenting to the auditor on the proposed financial adjustment, the assisting agency's position was that all costs incurred in excess of the amounts charged as direct costs should be included in overhead, regardless of whether a portion of the charge may have already been charged as a direct cost. The assisting agency's board chairman told us that he discussed the audit findings with OE's title III Director, who told him to disregard the matter because of the HEW auditor's misunderstanding of programmatic cost principles.

An Assistant Director of the HEW Audit Agency in Washington told us that the audit office was not going to issue the report because (1) allegations which had been made against the assisting agency and which were the primary reason for the review could not be substantiated, (2) other HEW Audit

Agency representatives questioned the methods used to compute the exception and the $59,000 exception was not developed completely enough to warrant issuing a formal report, and (3) based on the relatively small amount involved and other priorities the audit agency decided not to conduct followup work at the agency. In our opinion this matter was never fully resolved.

Example 2

During our visit to another assisting agency, we found that the agency received about $351,000 from 37 developing institutions which participated in the program during academic year 1975-76. It cost the assisting agency $229,000 (including $72,000 in indirect costs) to assist the institutions in their long-range planning. In October 1976, the agency transferred $120,000 to (1) cover deficits of $59,000 in seven other Federal programs, (2) support a non-Federal program in the amount of $40,000 for academic year 1976-77, and (3) deposit the remainder in its general fund.

The assisting agency's controller told us that he thought this action was proper because he believed his agency was performing services for a specific fee and, if their efficiency allowed them to realize greater receipts than the costs to render the services, that they should be allowed to apply these "excesses" to their other activities. We do not believe that the assisting agencies should be able to use title III funds to support their other Federal and non-Federal activities. We brought these matters to the attention of OE grants management officials and they agreed that the assisting agency appeared to have received excess funds that should be reimbursed to the Government because they were not used for the purposes for which they were budgeted.

We noted during our review that assisting agencies have not been audited on a regular basis by the HEW Audit Agency. Because of the irregularities noted above, we believe that HEW's Audit Agency should schedule audits of each assisting agency which receives substantial Federal support from title III to determine whether they are receiving excess funds and are improperly spending Federal funds from the program.

CONCLUSIONS

OE has not implemented sound financial controls over the use of title III grant funds. This caused a number of problems in the use of and accounting for program funds by grantee institutions. In general, these problems can be attributed to (1) lack of OE guidance to institutions on the proper use of and accountability for title III funds and (2) insufficient monitoring of grantees' financial activities by OE.

The only criteria available to grantees are OE regulations designed to cover the administrative and fiscal requirements for numerous separate assistance programs, and limited memoranda. While these regulations establish the overall policy for the use of grant funds, grantee institutions have experienced problems in interpreting them and applying them to determine allowability of title III expenditures.

OE relies on grantees for the proper administration of grant funds and has not properly monitored financial activities after making grants. There is virtually no verification of the accuracy of grantee financial reports. Site visits have traditionally included only cursory examination of financial management, a problem we believe is significant in the title III program and one that warrants greater attention in future site visits.

Many grantee institutions have also placed a low priority on the financial management of title III grants. This has resulted frequently in questionable expenditures, insufficient controls, overpayments to assisting agencies, and an overall lack of documentation of the use of program funds.

Because OE had not adhered to HEW procedures to resolve audit exceptions, and assisting agencies have not been audited on a regularly scheduled basis, funds due the Government might not have been reimbursed to the Treasury, and assisting agencies might have earned excess profits.

RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary of HEW direct the Commissioner of Education to provide grantee institutions with more specific guidance for the administration of title III funds. This guidance should include detailed instructions for

--determining what types of costs may be charged against title III grants;

--maintaining financial records to support program expenditures, including payments to consultants and assisting agency personnel assigned to title III projects;

--establishing, maintaining, and terminating relationships with assisting agencies;

--returning to the Treasury funds not obligated by the end of the grant period and funds which have been allowed to accumulate at assisting agencies; and

--providing detailed reports to OE on grant activities.

Additionally, the Commissioner should reemphasize the need for identifying potential problem institutions before grants are awarded. This would necessitate a careful review of an institution's performance under previously awarded Federal (both title III and other) grants. OE's procedures for identifying and monitoring "high-risk" grantees should be used as the basis for providing such institutions with badly needed assistance in effectively and efficiently using Federal funds.

Also, the Commissioner should be directed to strengthen postaward monitoring of the financial activities of institutions (especially those identified as high risks) receiving title III grants. This could be done through (1) verification of information provided on periodic financial reports and (2) a systematic site visitation program which includes the use of grants specialists to review the procedures followed by selected institutions in administering program funds.

The Secretary should also direct the Commissioner to implement existing procedures for the proper resolution of audit exceptions. This should include proper resolution of the example discussed on page 48 and other exceptions brought to OE's attention by the audit agency.

In addition, the HEW Audit Agency should schedule audits of each assisting agency which receives substantial Federal support to determine whether it is adhering to the General Provisions for Office of Education Programs, (45 C.F.R., part 100) and HEW regulations for the title III program.

AGENCY COMMENTS AND OUR EVALUATION

HEW concurred with our recommendations. HEW said that the staff of the Division of Institutional Development will work with the Grants and Procurement Management Division to develop policies which address each of these issues no later than the spring of 1979. HEW also stated that the staff will utilize title III workshops, application review sessions, and institutional monitoring visits to refine the management of projects.

HEW said it intended to involve personnel from the Grants and Procurement Management Division to train title III staff as well as accompany staff on site visits to perfect a more effective administration of title III funds. Institutions which are identified with chronic management problems will, according to HEW, be encouraged to seek specific and expert assistance to obtain a thorough reform of fiscal management practices--including those involving student financial assistance funds. HEW said that workshops will stress the fiscal and administrative requirements found in the General Provisions (45 C.F.R., part 100) which are also being revised for greater clarification and effectiveness.

HEW said that it will conduct indepth site visits (which will include grants specialists) before the next funding cycle. These visits will include a review of institutions' performance under previously awarded Federal grants (title III and other). OE's procedures for identifying and monitoring "high-risk" grantees will be used as the basis for providing such institutions with whatever assistance they need for effectively and efficiently using Federal funds.

HEW also said that OE's Bureau of Higher and Continuing Education has moved to process audit exceptions in a timely manner, and that there were no outstanding audits in the Bureau.

In addition, the Secretary, by memorandum dated November 6, 1978, directed that priority be given to the resolution of audit findings and the recovery of disallowed funds. HEW said that the Inspector General will continue to review and provide HEW oversight of action on audit recommendations, including their resolution and implementation, and report to the Secretary quarterly on the effectiveness of such actions. Also, the Assistant Secretary for Management and Budget will report to the Secretary quarterly, using the accounting system he is establishing, on actual collections of audited funds disallowed, and will also include this activity in HEW's departmentwide efforts to reduce fraud, abuse, and waste.

In regard to HEW's comment that no audit exceptions remained in the Bureau of Higher and Continuing Education, we attempted to follow up on the status of the $90,000 audit exception described on page 49. However, OE officials could not respond to this question and others in time for us to consider them in this report.

HEW also agreed that audits of each assisting agency which receives substantial Federal support were needed to determine whether they were adhering to the General Provisions and HEW regulations for the title III program. HEW said that the Grants and Procurement Management Division within OE would schedule such reviews of each assisting agency which receives substantial Federal support under title III. According to HEW, these will be completed before the next funding cycle, and the HEW Audit Agency--based on the results of these programmatic reviews--will consider the necessity of possibly expanding its audits of developing institutions to include the activities of selected assisting agencies.

We believe that the above actions could improve the administration of the title III program and strengthen controls over the use of funds. However, because the General Provisions apply to numerous programs and, therefore, may not be specific enough to deal with the problems we noted in the title III program, and the proposed revisions to the title III regulations do not provide detailed guidance to grantees for the administration of Federal funds, we believe that institutions might still need further detailed guidance to assure the proper use of title III funds. Such guidance might include aspects of the General Provisions, the regulations, and the proposed manual for site visits referred to on page 73, and the procedures for the panel review processes described by HEW in its comments to this report. (See app. IV.)

We also do not believe that the decision to expand HEW Audit Agency coverage of assisting agency activities should be based solely on the results of the proposed site visits by title III program officials and grants specialists. Periodic HEW Audit Agency reviews at the major assisting agencies involved in the title III program should be conducted so that sufficient <u>independent</u> reviews of title III activities can be achieved.

CHAPTER 5

NEED FOR BETTER PLANNING AND ACCOUNTING FOR SERVICES UNDER TITLE III PROJECTS

Under the broad provisions of the law and OE regulations, almost any type of project can be funded under title III as long as it shows promise for developing the participating institutions. This affords an individual institution a considerable amount of leeway in determining what development projects are needed, how these projects should be organized, and how the necessary services will be provided.

While this flexibility enabled title III institutions to design individualized programs, it also led to a number of problems, especially in the Basic program. Many institutions entered into cooperative arrangements without proper consideration of how these projects would help them reach overall development objectives. This was similar to findings discussed in our 1975 report on the title III program. Also, the institutions had not instituted proper controls to insure that they were actually receiving adequate services from their assisting agencies.

IDENTIFYING DEVELOPMENT NEEDS

Developing institutions have common, but not necessarily identical, problems which isolate them from other institutions of higher education. The title III program was enacted to provide the financial resources that institutions required to overcome specific handicaps preventing them from achieving a secure status and attaining national visibility. Title III was not designed to be a program of general support.

The title III legislation authorized the funding of cooperative arrangements for the following types of activities:

--Exchange of faculty or students, including arrangements for bringing visiting scholars to developing institutions.

--Faculty and administrative improvement programs, utilizing training, education (including fellowships leading to advanced degrees), internships, research participation, and other means.

--Introduction of new curricula and curricular activities.

--Development and operation of cooperative education programs involving alternate periods of academic study and of business or public employment.

--Joint use of facilities, such as libraries or laboratories, including necessary books, materials, and equipment.

Each institution must be able to identify its own development needs and design projects which will meet these needs. OE requires each title III institution to describe in its grant application the development plan of the institution and show how proposed activities relate to this plan. This should insure that an institution's proposed projects are complementary and that their progress toward development can be measured. While this occurred with some success in the Advanced program, it did not happen in the Basic program.

Advanced program

The Advanced program placed heavy emphasis on the need for comprehensive planning of an institution's title III activities. Each applicant was required to submit in its application a long-range plan showing how the institution intended to use individual projects to reach its overall development goals. Institutions were required to monitor projects continually to insure that scheduled milestones were met. Performance reports were submitted to OE quarterly.

Institutions in the Advanced program had highly individualized programs. Each school determined its service needs and how to obtain the services. For the most part, title III funds were expended for on-campus activities. The institutions made limited use of assisting agencies and received virtually no direct services under consortium arrangements.

The institutions visited were carrying out their title III programs in accordance with the terms of their grant agreements. While the institutions had not always been successful in meeting their objectives, their programs did seem to be well organized and geared toward achieving some ultimate developmental goal.

Basic program

Comprehensive planning in the Basic program was not emphasized to the extent it had been in the Advanced. As a result, most Basic program applications covered a wide range of proposed projects which may or may not have tied into central development plans. OE funded several projects which were of questionable benefit to an institution's development. Part of the reason for this was the substantial influence of assisting agencies in the direction that the title III Basic program would take.

Generally, institutions which participated in the title III program for long periods received large grants and participated in many cooperative arrangements. In 1976-77, for example, 55 institutions which had been in the Basic program for at least 10 years were each participating in an average of six cooperative arrangements. These schools' funding for that year totaled about $22.8 million. One school we visited which had participated in the program for 10 years was simultaneously a funded participant in four bilateral and three consortium arrangements, and was an unfunded participant in five consortium arrangements.

Funded projects not always beneficial

The unstructured growth of many Basic institutions' title III activities has led to institutions participating in projects which were providing them little or no direct services. In some cases projects were not even designed to assist the institutions which received the title III funds.

For example, two institutions we visited did not receive title III funds directly but were members in a consortium which received $75,000 a year from title III. This consortium was established to purchase and process books for schools at a lower fee than the schools could obtain on their own. However, these two institutions ceased participation in the consortium (even though OE continued to list them as consortium members) because they had found that they could obtain better services at a lower cost from an organization which was not funded by title III. OE continued to list these schools as consortium members, and title III funds were budgeted for these institutions as participants. Also, see the example on pages 37 and 38.

Some institutions participate in two or more arrangements which have a similar focus, often with the same assisting agency. This can make it difficult to determine the specific services being provided under each arrangement, to ensure that duplicate payments are not made to these assisting agencies. A similar position was reached in a report 1/ done for OE's Bureau of Higher and Continuing Education which stated that:

> "* * * within the structure of BIDP [Basic Institutional Development Program] there are some developing institutions involved in as many as 33 cooperative arrangements. This produces monitoring difficulties and a high probability of duplication of services. In any move to correct this problem, first consideration should be given to the establishment of a limit on the number of cooperative arrangements in which an institution can be engaged.
>
> "There is also within BIDP no limit on the amount of funds which can be made available to any individual consortia. This could lead to the creation and perpetuation of powerful lobbies within the framework of the Title III program which might be detrimental to the achievement of program objectives, especially if politics take priority over educational interests. To keep program objectives in proper perspective, it is best, perhaps, that limits be established on funding levels for individual consortia."

Some Basic program arrangements have resulted in payments for non-title III related activities. For example, one grantee we visited used title III funds to finance a project for furthering the education of many secondary school teachers displaced by desegregation orders in addition to furthering the education of developing institutions' faculty members. Title III funds were used for tuition, fees, books, and stipends for 26 persons working toward advanced degrees at a major university. Although this project was funded as a bilateral arrangement, many of the 26 participants provided no visible services to the funded institutions. A school official told us that the project was intended to provide a public service.

1/"Report on the Examination of the Developing Institutions Program," Dr. Henry E. Cobb, consultant to the U.S. Office of Education, Sept. 1977.

Generally, most of the institutions we visited participating in the Basic program could not relate their arrangements to predetermined development goals. Thus, the institutions could not show what type of activities would be needed in the future or how long title III funding would be necessary. In our October 1975 report, we stated that many institutions did not adequately plan their title III projects and programs and did not attempt to relate these efforts to their plans for overall institutional growth.

Assisting agencies exert substantial influence

Basic program schools rely heavily on assisting agencies for conducting projects under cooperative arrangements. As a result, some assisting agencies have become reliant on the title III program for a significant portion of their revenues. (See p. 36.) In some arrangements, the influence of the institutions is actually secondary to that of the assisting agencies in planning Basic program projects. Some assisting agencies have assumed a leadership role in the program and have recruited institutions to participate in projects developed by the assisting agencies. In some cases, the agencies have prepared institutions' proposals for funding.

Some of the consortia in the Basic program are controlled almost entirely by assisting agencies. The agencies determine what services will be offered, which schools will be invited as members, and which schools will be coordinating institutions. While the memberships in these consortia may vary somewhat from year to year, the agencies remain the same. Basic schools we visited did not select assisting agencies competitively even though this was encouraged by OE regulations.

Institutions we visited did little monitoring of assisting agency performance. In many cases, school officials could not provide information on how certain agencies had assisted their institutions during the year.

CONCLUSIONS

The title III programs in progress at many institutions consist of individual projects which were not necessarily related to an overall development objective. It was questionable whether some of the projects were providing benefits to developing institutions. These conditions were particularly prevalent in the Basic program, which traditionally placed little emphasis on the institution's long-range planning for the use of title III assistance.

By not properly planning toward an ultimate objective, many Basic program institutions relied on assisting agencies to provide services. Some of these agencies actively recruited institutions into their program offerings even though the services offered might not have been the ones needed most by the institutions. While the services might have helped the institutions to increase their participation in title III, they did not insure that funding was being used for projects necessary for the schools' overall development.

RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary of HEW direct the Commissioner of Education to:

--Require each institution provided title III assistance to develop a comprehensive development plan.

--Insure that the projects funded at individual institutions are necessary, compatible, and consistent with long-range development goals.

--Evaluate the role of assisting agencies used in the title III program.

--Enforce stricter controls over the use of assisting agencies under title III grants. Greater use of competitive selections of agencies should be encouraged. The services to be provided to the institutions should be clearly defined in a formal agreement showing how the services will move the school toward the mainstream, and final payments to the agency should be made only after the agreed-upon services have been provided. Coordinating institutions should require assisting agencies to submit periodic reports describing the services they have provided, and these reports should be available to OE for review. The coordinating institutions should also be required to periodically check to see that each institution that is part of an agreement with an assisting agency has received its agreed-upon services.

AGENCY COMMENTS AND OUR EVALUATION

HEW concurred with our recommendations and said that the Commissioner of Education will require potential grantees to refine their institutional mission and goals and to develop a long-range comprehensive development plan for achieving the institution's academic goals and strengthening its management, or both.

HEW said that the proposed rules require applicants to examine the status of the institution's administrative structure, curriculum, student services, administrative personnel, instructional personnel, and financial position to identify areas of the greatest need. From this analysis or self-assessment, the institution must propose individual programs that will be necessary, compatible, and consistent with long-range development goals that address the described need(s).

HEW also agreed that there was a need to evaluate the role of assisting agencies. It plans to do this by (1) conducting audits by the Grants and Procurement Management Division and (2) indepth site visits of assisting agencies and the colleges they are serving by evaluators chosen by OE. A specific plan for these visits will be developed and the visits will be completed before the next funding cycle.

HEW also concurred with the need to enforce stricter controls over the use of assisting agencies under title III grants, including (1) greater use of competitive selections of agencies, (2) a requirement that services to be provided to the institutions be clearly defined in a formal agreement showing how the services will move the school toward the mainstream, and (3) final payments to the agency be made only after the agreed-upon services have been provided. It also agreed that coordinating institutions should require assisting agencies to submit periodic reports describing the services they have provided, and that these reports should be available to OE for review.

To accomplish this, HEW stated that a special section in the title III application will require the applicant to spell out the necessity for the competitive selection of agencies; formal agreement for the services to be provided; payment schedule; periodic reports describing services rendered to coordinating institutions and OE; and the need for the coordinating institution to monitor participating institutions to make certain assisting agencies are delivering agreed-upon services. This will also be monitored by OE.

We believe that if these measures are properly implemented and monitored, they will improve the planning and accounting for services under title III projects.

CHAPTER 6

NEED TO DEVELOP EFFECTIVE

PERFORMANCE EVALUATION PROCEDURES

Both the Congress and OE recognized the need for periodic evaluations of the performance of title III institutions. The Education Amendments of 1972 required title III applicants to "set forth policies and procedures for the evaluation of the effectiveness of the project or activity in accomplishing its purpose." This requirement was contained in the title III program regulations issued in June 1975. Although all projects were evaluated, these evaluations often lacked objectivity and did not adequately measure performance. Therefore, OE was unable to use these evaluations to determine how an institution is progressing toward its long-range development goals.

OE needs to develop objective, after-the-fact evaluations of previously funded activities. We discussed similar problems with lack of quality evaluations and monitoring in our 1975 report.

BASIC PROGRAM EVALUATIONS

Each Basic program grantee had to arrange for an annual external evaluation of its title III activities. This evaluation was to be conducted by an impartial review team and was to include an appraisal of the effectiveness of all title III projects in which the institution participated. The findings of the evaluation team were to be presented in a written report, a copy of which was to be submitted to OE.

Instructions for evaluating Basic program grants were contained in two memoranda issued by OE in April 1975 and April 1977. These memoranda provided broad guidance for selecting an evaluation team, conducting the evaluation, and preparing the final report. However, the instructions have been interpreted differently by those using them. Also, OE issued these instructions as "suggested" guidelines and had not enforced them as requirements.

In the absence of specific OE guidance, each Basic program institution decided for itself how the external evaluation would be performed. This led to problems, including (1) selection of review team members with vested interests in the activities they were evaluating, (2) incomplete and inconclusive reporting, and (3) inability of OE to use the reports in administering the Basic program.

Evaluation teams not impartial

OE allowed each institution in the Basic program to form its own evaluation team. According to the suggested guidelines, the team should have been knowledgeable in the special problems faced by developing institutions, but have included impartial individuals who could objectively appraise the effectiveness of the projects being evaluated. At least two members, including the team leader, should have been individuals from outside the institution and with no vested interest in the institution's title III projects. The remainder of the team might have been composed of individuals from the institutions, assisting agencies, or the local community.

Many Basic program institutions have used evaluators familiar with their programs. There can be benefits in using individuals knowledgeable in an institution's operations, but many external evaluators had a vested interest in the projects being evaluated. For example, an assisting agency heavily involved in the institution's title III projects also conducted the final evaluation. In another instance, the evaluation team leader came from an institution which participated in title III consortium arrangements with the school being evaluated.

Institution individuals who serve on evaluation teams can have a significant impact on the development of the evaluation report. In many cases, evaluation reports submitted to OE relied heavily on internal reports prepared by the institutions being evaluated. In one instance, the evaluation report was prepared by the institution's title III coordinator. We do not believe that such practices have provided OE with the type of evaluations which can provide needed information to assess program impact.

Evaluation reports incomplete and inconclusive

After completing their evaluation of an institution's title III projects, evaluation teams prepare a written report on their findings. The reports were to be submitted to OE within 30 days of the grant's expiration. These reports should have provided feedback to OE and institution administrators on the effect of the projects on the development of the institution.

Based on our review many of the 14 evaluation reports which were available for the 19 schools visited did not provide meaningful information on the success of the projects evaluated. In reviewing reports submitted in 1976 and 1977, for example, we noted the following:

--Reports often failed to evaluate all title III projects in which the institutions participated. Frequently omitted were consortium projects in which the institutions were members but did not receive funds directly from title III. At least twice, teams failed to evaluate directly funded projects.

--Reports listed activities conducted under each project without showing how these activities had met objectives. Thus, while the projects may have generated a great deal of activity, there was no way to determine whether they were successful.

--There was no evaluation of the combined effect of the various projects on the overall development of the institutions. The evaluators did not attempt to measure the institutions' progress toward the "mainstream of higher education."

--Because teams normally spent 2-3 days at the institution they often relied heavily on information obtained through interviews with institution officials and reviews of internal reports.

--Teams did not evaluate the performance of assisting agencies or suggest alternative approaches to obtainin technical assistance.

--The evaluators did not determine the adequacy of the institution's controls over the disbursement of title III funds.

Inadequate review and followup

Institutions normally submitted evaluation reports to OE as required. However, OE officials told us that, prior to 1977, the review of external evaluations was a very informal process. Each evaluation was reviewed by a project officer who contacted the institution only when he identified major problems. There was no official review or followup process. The Basic program institutions we visited had received no feedback from OE on their submissions.

In 1977, OE established a program unit to review Basic program evaluations. This unit was responsible for reviewing the external evaluations for each institution and reporting to the appropriate OE project officer and the institution on the results of the review.

In reviewing the evaluation process for 1977, we noted the following problems:

--The Evaluation Section had only two part-time reviewers who were responsible for the evaluation reports of more than 200 grantee institutions. Through August 1978, 203 grantees had submitted evaluation reports to OE covering academic year 1976-77 projects; however, OE staff had reviewed the reports of only 40 grantees.

--There were no guidelines for the evaluation review process.

--In their written comments on the evaluation reports, the reviewers did not discuss the degree to which the institutions had met their objectives. The primary concern was whether a good evaluation was performed.

--There were no procedures for followup on problems noted during the evaluation review. This was left to the discretion of the designated project officer. We found no cases where any such followup had been done.

The creation of a special section to review Basic program evaluations is a step in the right direction. However, it does not appear that the current structure of OE's review section is adequate to monitor the progress of title III Basic program participants.

ADVANCED PROGRAM EVALUATIONS

The evaluation procedures in the Advanced program were considerably more complex than those of the Basic. Unlike the single institutional evaluations made in the Basic program, the Advanced program provided for evaluations on three distinct levels. These were: (1) an annual external evaluation at each institution, (2) a continuing analysis of performance through evaluation reports submitted by the institutions, and (3) an annual Advanced program impact study prepared by the assisting agencies for the two large technical assistance consortia.

Annual external evaluations

Like the Basic program, the Advanced program required grantee institutions to provide for an annual external evaluation of their title III projects. There were two important differences in Advanced program requirements, however:

--There were no guidelines for conducting the evaluation other than those outlined by the institution in its approved operating plan.

--The institutions were not required to submit the external evaluation reports to OE (although a school could do so voluntarily).

OE officials told us they did not become involved in the external evaluations because (1) the evaluations were intended for use of the institutions and (2) the external evaluators might be more candid in their comments to institution administrators when there was no requirement to provide a report to OE.

At the Advanced program institutions we visited, the external evaluations were performed in much the same manner as those in the Basic program, and we noted similar problems of (1) evaluators having vested interests and (2) incomplete and inconclusive reporting.

Monitoring and evaluation reports

The primary method for evaluating project effectiveness in the Advanced program was reviewing the periodic performance and evaluation reports submitted to OE by the institutions. Each Advanced program grantee is required to prepare quarterly and annual schedules showing actual performance against predetermined goals and objectives. These schedules gave a detailed breakdown of the progress of each project toward meeting the schools' goals.

The project reports were continually reviewed by the assisting agencies for the two technical assistance consortia in the Advanced program. The assisting agencies provided the institutions and OE a written analysis of their review of each submission. After reviewing the assisting agency reports, OE might give individual schools its own analysis of the progress being made.

In many ways, the schedules submitted by the schools provided an excellent tool for evaluating institution performance. One advantage was that OE was provided an up-to-date overview of how an institution was progressing toward the attainment of milestones and objectives in each project funded. Another advantage was that it required the institutions to constantly monitor their own performance.

We did note the following problems in using these schedules as the primary mechanism for evaluating an institution's projects.

--The reports were prepared by the institutions rather than by an external evaluator. Thus, they actually constituted an internal evaluation and might not have been objective.

--The analyses by the assisting agencies often were more concerned with how well reports were prepared than with how the institutions were progressing toward their goals and objectives. For example, we reviewed assisting agency comments on the most recent annual submissions for 77 of the 95 institutions in the 4-year consortium (see p. 5) to determine how these schools were progressing. In 39, or 51 percent, of these cases, the assisting agency noted that it could not assess the level of progress that had been made because the reports submitted were incomplete.

--OE provided very little review of the schedules and assisting agency reports, scheduling only 1.1 staff years for this purpose for the 144 institutions in the Advanced program in 1977. OE normally adds no comments to the assisting agency reports to the institutions.

Annual impact study

The third type of evaluation performed in the Advanced program was the annual impact study conducted by assisting agencies. In 1976-77, this study consisted of an analysis of information obtained from (1) two questionnaires sent to all Advanced program institutions and (2) site visits to 17 institutions. The resulting report traces the overall impact of title III funds in various high-priority areas in the Advanced program as a whole.

The impact study report provided OE an overview of Advanced program accomplishments and needs. The study did not evaluate the progress made by individual institutions, since all information was presented on an aggregate basis. Thus, the impact study could not be used to chart the progress of individual institutions toward their long-range objectives.

SITE VISITS

Occasionally, OE conducted site visits to title III institutions. There were no formal procedures for selecting institutions for visits, and the number of visits fluctuated from year to year depending on the availability of staff and travel funds. During the 1977-78 project year, OE staff made visits to 31 Basic program and 25 Advanced program institutions, or about 17 percent of all schools participating in title III during this period.

After each visit, OE staff prepared reports on their findings and submitted copies to the institutions. In reviewing the reports prepared during 1977-78, we noted the following shortcomings:

--The participants in the visits did not give proper coverage to the adequacy of the institutions' administration of grant funds. One reason for this was that the reviews were conducted by personnel from the title III program office without participation of OE Grants Office officials who might be more familiar with financial requirements of grants.

--The information included in the reports was very general and did not give an appraisal of how the institutions were progressing toward their long-range development objectives.

--There was no followup by the OE staff on issues identified during the site visits. In one instance, for example, the individual performing the site visit recommended that a fiscal audit be conducted at the institution before it received additional title III grant awards. OE did not inform the institution of this recommendation, however, and no fiscal audit was made.

--The site visit reports were often of little use in evaluating the current state of progress at the institutions because they were untimely. In some cases, the reports were written more than 4 months after the completion of the site visits.

In our 1975 report, we concluded that OE evaluations of the overall title III program's success have been largely subjective and that OE needed to improve program monitoring by developing and implementing a more viable site visitation program.

OE agreed with our 1975 recommendation and told us that, to the maximum extent possible, within its then current resource restraints, the site visitation program would be expanded. During our most recent review, OE title III program officials told us that limited staff precluded the implementation of the type of site visitation program which they agreed was needed in order to effectively monitor grantee progress. We found that, in May 1976, the title III program had 27 professional staff onboard and that, as of May 1978, it had 25 such staff. We believe that, if the title III program is to adequately monitor grantee use of title III funds, HEW will have to provide additional staff or restructure the implementation system of the program to enable present staff to spend more time at the grantee level.

CONCLUSIONS

Objective and thorough evaluations of funded activities should be a critical element in the administration of title III grants by the participating institutions and OE. While internal monitoring is important, it cannot replace the need for external evaluations. Program decisionmakers need a third-party appraisal of what has been accomplished and what is still to be done.

OE had not implemented adequate procedures for conducting external evaluations in the Basic program, and evaluations in the Advanced program could also be improved. Evaluations were often not objective, complete, or timely and did not provide feedback on progress being made toward objectives. They were of little use in administering title III grants and were not used regularly for this purpose by OE.

RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary of HEW direct the Commissioner of Education to provide title III grantees with more specific guidelines on requirements for conducting program evaluations. These guidelines should insure that

--the evaluation will include an appraisal of the success of each project funded under title III;

--an evaluation will be conducted at least annually by qualified individuals with no vested interests in the institution's program;

--the evaluation will include a determination of the adequacy of (1) the institution's administration of grant funds, including necessary monitoring, support for expenditures, and prior authorizations for changes, and (2) the performance of assisting agencies, including services to be provided to specific institutions, agreements with consultants, and assignment of personnel to work with developing institutions (see ch. 4); and

--the evaluation will provide an appraisal of the progress being made by the institution toward meeting development goals.

After these improvements in the evaluation process have been implemented, the Commissioner of Education should be directed to design a better system for monitoring external evaluation reports. This will require more feedback to the institutions on the success of their programs and more followup on potential problem areas identified during the evaluations. The Commissioner should also be directed to improve the site visitation program for title III. This should include the development of the following:

--Periodic coverage of all institutions receiving grants. "High-risk grantees" (see p. 47) and schools which have had previous problems in administering grants should be the first schools visited.

--Uniform guidelines for conducting site visits, including determination of the adequacy of institutions' financial operations under title III grants, to insure comprehensive and uniform coverage at each location visited.

--A standardized reporting format to allow comparisons of the performance of institutions.

--A system for providing feedback to the institutions and followup action on problems identified during the visits.

AGENCY COMMENTS AND OUR EVALUATION

HEW concurred with the need to improve the evaluation of title III projects and said it was developing a monitoring and evaluation instrument which will be operational before the next funding cycle. High-risk institutions will be visited first. The practice of having assisting agencies evaluate the success of programs at the colleges they are serving, including impact studies, will be eliminated. The application form will include a section providing suggestions on effective evaluation procedures and reminding applicants that a line item in the budget for evaluation must be part of their overall budget.

HEW also said that the reorganization of the Division of Institutional Development will include a Program Evaluation and Accountability Section, which will be staffed by qualified professionals with the capability of monitoring evaluation reports and providing immediate feedback to institutions of identified problem areas. Followup will be accomplished by systematic site visits; specific attention will be paid to identified areas of concern.

HEW concurred with the need to strengthen the site visitation program and said that plans to implement a staff training program have commenced. A new manual will provide the staff with uniform guidelines for conducting site visits, including the determinations of the adequacy of the institution's financial operations under Federal grants; it should be ready for field testing in the early spring of 1979.

Implementation of HEW's proposed actions should improve the evaluations in the title III program. Because of OE's failure to implement an adequate site visitation program after our 1975 report, we attempted to follow up on specific actions OE plans to take concerning its reply to this report in regard to an improved site visitation program. However, OE could not respond to us in time for consideration in this report.

GLOSSARY 1/

Advanced institutional development program--Provides 3- to 5-year grants to developing institutions with the potential for accelerated and comprehensive development towards achieving both operational and fiscal stability and participating in the mainstream of American higher education.

Assisting agency--An institution of higher education or an agency, organization, or business entity which provides services to developing institutions under title III grants.

Basic institutional development program--A grant program for developing institutions that show a desire for and a promise of institutional improvement in order that they may more fully participate in the higher education community. It attempts to narrow the gap between small, weak colleges and stronger institutions. The program provides 1-year, forward-funded grants for specific development activities.

Bilateral arrangement--An arrangement between the applicant developing institution and assisting agency under which the latter will provide assistance and resources to the developing institutions to carry out activities such as the exchange of faculty and students with other institutions of higher education or the introduction of new curricular materials.

1/The above definitions were developed using various references such as title III of the Higher Education Act of 1965, as amended; title III program regulations; OE program memoranda; and other publications.

Consortium arrangement--	An arrangement among the applicant developing institution and at least two other developing institutions which provides for the exchange or joint use of resources to the mutual benefit of all participants. Such a consortium of developing institutions may also enter into arrangements with assisting agencies for the latter to assist the developing institutions in carrying out grant activities.
Continuation grant--	Grants awarded based on successful performance under initial 3- to 5-year Advanced program grants, and whether continuation is in the best interest of the Government.
Coordinating institution--	A developing institution which is the official recipient of the title III grant under consortium arrangements and therefore functionally responsible for the fiscal administration of the funds.
Development officer training grant--	Grants to train institution personnel in the area of fundraising activities.
Funded participant--	A developing institution which receives title III funds directly from OE.
Initial grant--	Advanced Institutional Development Program grants which are for 3- to 5-year periods.
Unfunded participant--	A developing institution which does not receive title III funds, but which might receive title III-funded services through participation in workshops, seminars, etc., which are conducted by assiting agencies.

BASIC PROGRAM INSTITUTIONS

RECEIVING GRANTS FOR

ACADEMIC YEAR 1977-78

AND TOTAL YEARS IN TITLE III

State	Institution	Amount awarded	Years in program
American Samoa	American Samoa Community College	$ 140,000	2
Alabama	Alabama State University	500,000	9
	Alexander City State Junior College	100,000	1
	Brewer State Junior College	175,000	2
	Huntingdon College	100,000	8
	Lawson State Community College	350,000	7
	Livingston University	174,900	11
	L.B. Wallace State Junior College	200,000	3
	Oakwood College	1,002,600	5
	S.D. Bishop State Junior College	400,000	8
	Southern Benedictine College	200,000	4
	Spring Hill College	150,000	3
	Stillman College	1,023,600	12
	Talladega College	890,000	12
Alaska	Sheldon Jackson College	150,000	4
Arizona	Arizona Western College	275,000	5
	College of Ganado	200,000	5
	Eastern Arizona College	240,000	1
	Maricopa Technical College	200,000	2
	Navajo Community College	350,000	5
	Yavapai College	176,000	1
Arkansas	Arkansas College	250,000	10
	College of the Ozarks	200,000	7
	John Brown University	100,000	8
	Philander Smith College	425,000	12
	Phillips County Community College	250,000	3
	Southern Arkansas Community College	150,000	12
	University of Arkansas, Pine Bluff	900,000	12
California	Imperial Valley College	100,000	4
	Nairobi College, Inc.	100,000	1
	Pacific College of Fresno	100,000	12
	Southern California College	125,000	4
Colorado	Fort Lewis College	250,000	11
	Trinidad State Junior College	175,100	5
Connecticut	South Central Community College	350,000	3
Delaware	Delaware Technical and Community College, Dover	100,000	2
Florida	Brevard Community College	266,800	4
	Edward Waters College	400,000	8
	Florida A & M University	675,000	11
	Florida Memorial College	550,000	11

APPENDIX II

State	Institution	Amount awarded	Years in program
Georgia	Albany State College	$ 700,000	11
	Armstrong State College	200,000	6
	Columbus College	100,000	6
	Gainesville Junior College	150,000	5
	Gordon Junior College	100,000	2
	Paine College	550,000	12
Hawaii	Chaminade College of Honolulu	200,000	10
	Hawaii Pacific College	150,000	3
	University of Hawaii, Honolulu Community College	100,000	9
Illinois	Aurora College	125,000	1
	City College of Chicago, Loop	220,000	1
	Olivet Nazarene College	125,000	2
	Spertus College of Judaica	100,000	3
Indiana	Indiana Institute of Technology	100,000	8
	Oakland City College	100,000	4
Iowa	Briar Cliff College	400,000	9
	Kirkwood Community College	530,600	3
Kansas	Baker University	200,000	5
	Bethany College	175,000	3
	Bethel College	250,000	12
	Donnelly College	150,000	4
	Hesston College	322,200	4
	Kansas Newman College	225,000	8
	Kansas Wesleyan College	100,000	6
	McPherson College	200,000	5
	Southwestern College	200,000	6
	Sterling College	125,000	1
	Tabor College	125,000	2
Kentucky	Alice Lloyd College	100,000	7
	Jefferson Community College	175,000	5
	Spalding College	100,000	1
Louisiana	Delgado Junior College	125,000	7
	Southern University, New Orleans	550,000	7
	Southern University, Shreveport	425,000	5
	Saint Mary's Dominican College	100,000	4
Maine	Husson College	150,000	3
	Unity College	175,000	4
Maryland	Coppin State College	600,000	12
	University of Maryland, Eastern Shore	500,000	11
Michigan	Detroit Institute of Technology	500,000	7
	Shaw College at Detroit	550,000	7
	Suomi College	100,000	7
Minnesota	Metropolitan State Junior College	150,000	2

State	Institution	Amount awarded	Years in program
Mississippi	Alcorn State University	$ 600,000	11
	Coahoma Junior College	325,000	8
	Mississippi Valley State University	675,000	12
	Utica Junior College	300,000	11
Missouri	Harris Teachers College	300,000	3
Montana	Carroll College	250,000	7
	Flathead Valley Community College	100,000	2
Nevada	College of Saint Mary	250,000	3
New Hampshire	Notre Dame College	225,000	8
New Jersey	Atlantic Community College	150,000	3
	Camden County College	200,000	4
New Mexico	College of Santa Fe	275,000	12
	Eastern New Mexico University, Portales	350,000	4
	Eastern New Mexico University, Roswell	100,000	5
	New Mexico Highlands University	200,000	9
	University of Albuquerque	250,000	9
	Western New Mexico University	250,000	7
New York	Boricua College	27,000	3
	Medgar Evers College	400,000	2
North Carolina	Barber-Scotia College	475,000	7
	Chowan College	150,000	3
	Durham College	275,000	6
	Elizabeth City State University	820,000	11
	Greensboro College	130,000	6
	Livingstone College	932,600	12
	Pembroke State University	100,000	11
	Southwestern Technical Institute	135,000	2
	University of North Carolina, Wilmington	150,000	7
	Warren Wilson College	100,000	11
	Wilson County Technical Institute	200,000	6
	Winston-Salem State University	700,000	12
North Dakota	Bismarck Junior College	300,000	11
	Jamestown College	250,000	12
	Lake Region Junior College	175,000	5
	Mary College	350,000	5
	North Dakota University, Bottineau Branch	250,000	5
Ohio	Findlay College	250,000	9
	Mount Vernon Nazarene College	175,000	2
	Rio Grande College	200,000	11
	Urbana College	150,000	5
Oklahoma	Bacone College	150,000	9
	Cameron University	200,000	10
	Carl Albert Junior College	100,000	1
	Connors State College	150,000	7
	Langston University	575,000	12
	Saint Gregory's College	100,000	10

State	Institution	Amount awarded	Years in program
Oregon	Central Oregon Community College	$ 100,000	6
	Concordia College	150,000	5
	George Fox College	100,000	11
Pennsylvania	Alliance College	150,000	4
	Cheyney State College	525,000	11
	Messiah College	100,000	12
Puerto Rico	Bayamon Central University	375,000	6
	Bayamon Regional College, Hato Rey, Inter American University	100,000	3
	Catholic University of Puerto Rico	300,000	11
	Colegio University del Turabo	150,000	1
	College of Sacred Heart	200,000	9
	Inter-American University, San Juan	250,000	3
	Puerto Rico Junior College	141,340	10
	World University	100,000	4
South Carolina	Allen University	400,000	12
	Claflin College	450,000	12
	Lander College	135,100	11
	Morris College	485,000	11
	Newberry College	250,000	4
	Tri-County Technical College	340,400	3
South Dakota	Black Hills State College	550,000	5
	Dakota Wesleyan University	175,000	3
	Huron College	200,000	11
	Northern State College	200,000	6
Tennessee	Knoxville College	1,030,600	12
	Lane College	760,600	12
	Lee College	100,000	3
	LeMoyne-Owen College	550,000	12
	Maryville College	250,000	12
	Shelby State Community College	132,000	1
	Trevecca Nazarene College	125,000	2
	Tusculum College	550,000	10
Texas	Bee County College	132,000	1
	Houston-Tillotson College	630,000	12
	Incarnate Word College	100,000	6
	Jarvis Christian College	595,000	11
	Laredo Junior College	275,000	9
	Paul Quinn College	400,000	11
	Saint Philip's College	100,000	5
	Wiley College	450,000	12
Utah	College of Eastern Utah	100,000	7
	Southern Utah State College	100,000	8
Vermont	Lyndon State College	100,000	4
	Windham College	150,000	3
Virginia	Averett College	1,500,000	2
	Paul D. Camp Community College	125,000	2
	Saint Paul's College	450,000	11
	Wytheville Community College	175,000	9

State	Institution	Amount awarded	Years in program
Virgin Islands	College of Virgin Islands	$ 350,000	10
Washington	Wenatchee Valley College	163,000	10
	Yakima Valley College	100,000	6
West Virginia	Glenville State College	200,000	6
	Morris Harvey College	100,000	10
	Potomac State College of West Virginia	150,000	5
	Southern West Virginia Community College, Logan	100,000	6
	West Virginia Institute of Technology	225,000	11
Wisconsin	Alverno College	100,000	3
	Lakeland College	150,000	4
	Mount Senario College	200,000	7
	Northland College	175,000	7
Wyoming	Eastern Wyoming College	100,000	4
	Total	$52,476,440	

APPENDIX III

ADVANCED PROGRAM INSTITUTIONS

RECEIVING GRANTS FOR

ACADEMIC YEAR 1977-78,

AND YEARS IN TITLE III

Institution	Initial grant	Continuation grant	Development officer training grant	Years in basic program	Years in advanced program
Alabama:					
Alabama A&M University			$ 37,000	8	3
Gadsden State Junior College			30,200	4	4
John C. Calhoun State Community College		$ 37,900	26,800	0	4
Miles College			35,500	9	2
Snead State Junior College	$1,000,000			1	1
Tuskegee Institute		500,000	27,000	8	5
Arkansas:					
Ouachita Baptist University		17,300	54,500	6	5
California:					
Compton Community College			37,800	5	4
East Los Angeles Community College			68,300	6	5
Lone Mountain College			58,500	0	2
Mount St. Mary's College	1,000,000			0	1
Colorado:					
University of Southern Colorado			8,000	0	5
District of Columbia:					
Trinity College	1,000,000			0	1
Florida:					
Valencia Community College			30,000	0	2
Georgia:					
Abraham Baldwin Agricultural College			30,400	6	4
Fort Valley State College	2,700,000			10	1
Morris Brown College		46,700	74,000	7	4
Spelman College		274,500	18,000	7	5
Illinois:					
Barat College	1,000,000			0	1
Central YMCA Community College			41,500	4	5
Chicago State University	2,000,000			0	1
Elgin Community College	1,000,000			0	1
Illinois Benedictine College			17,500	0	3
Mundelein College			30,000	1	2
Iowa:					
Des Moines Area Community College		314,000	29,600	2	5
Morningside College			27,500	3	3
Kentucky:					
Lees Junior College			37,000	8	5
Thomas More College	1,300,000			0	1
Louisiana:					
Grambling State University	2,800,000			10	1
Maryland:					
Bowie State College			28,500	9	2

APPENDIX III

Institution	Initial grant	Continuation grant	Development officer training grant	Years in basic program	Years in advanced program
Michigan:					
Highland Park Community College		$180,000	$ 19,500	2	4
Kalamazoo Valley Community College (Consortium)			190,000	2	1
Minnesota:					
College of St. Benedict			61,500	2	4
St. Mary's Junior College		132,600	35,300	2	5
Mississippi:					
Mary Holmes College			35,700	6	5
Jackson State University		170,000		8	5
Rust College		297,000	50,500	8	4
Tougaloo College			49,000	10	2
Missouri:					
Lincoln University	$3,000,000			9	1
Park College			32,000	3	5
Rockhurst College		130,000	102,000	4	4
New Jersey:					
Bloomfield College		200,000	60,000	1	4
Mercer County Community College			51,200	4	3
New York:					
Canisius College			25,000	0	3
John Jay College of Criminal Justice			40,000	0	2
Long Island University, Brooklyn Center			20,000	0	3
Marymount Manhattan College	1,500,000			10	1
North Carolina:					
Elon College	2,000,000			0	1
Fayetteville State University	3,000,000			10	1
Johnson C. Smith University			65,020	7	4
North Carolina A&T State University		257,000		8	4
St. Augustine's College			50,000	7	4
Southeastern Community College			37,600	1	4
Western Carolina University			20,000	0	3
North Dakota:					
North Dakota State School of Science		111,000	40,000	4	5
Ohio:					
Central State University			33,500	7	5
Wilberforce University			85,000	8	4
Wilmington College	1,500,000			1	1
Pennsylvania:					
Lincoln University		480,000		8	4
South Carolina:					
Baptist College of Charleston		174,000		2	5
Benedict College		179,000	50,000	7	5
Greenville Technical College	1,200,000			0	1
Spartanburg Methodist College	1,000,000			6	1
Trident Technical College	1,600,000			6	1
Voorhees College	2,200,000			11	1

Institution	Initial grant	Continuation grant	Development officer training grant	Years in basic program	Years in advanced program
Tennessee:					
Austin Peay University	$2,000,000			0	1
Christian Brothers College	1,600,000			4	1
Fisk University			$ 29,000	7	5
Lambuth College	1,000,000			5	1
Tennessee State University			51,000	10	2
Texas:					
Bishop College (Consortium)			84,500	0	1
Bishop College		$500,000	67,000	8	5
College of the Mainland		170,000		0	4
Our Lady of the Lake University of San Antonio	1,500,000			1	1
Prairie View A&M University			53,500	8	5
St. Edward's University	2,000,000			3	1
Texas College			20,000	9	2
Texas Southern University		255,000	16,000	8	4
Wharton County Junior College	1,300,000			8	1
Virginia:					
Hampton Institute			20,000	8	5
J. Sargeant Reynolds Community College	1,700,000			0	1
Norfolk State College			24,000	8	4
Virginia State College	2,700,000			10	1
Virginia Union University		307,000	51,000	7	5
Washington:					
Seattle Central Community College		94,000	49,100	1	5
West Virginia:					
Alderson Broaddus College			24,500	8	4
Davis and Elkins College			32,000	1	2
Parkersburg Community College	1,430,000			3	1
West Virginia State College	2,000,000			10	1
West Virginia Wesleyan College			28,000	3	3
Wisconsin:					
Western Wisconsin Technical Institute	1,400,000			1	1
Consortia:					
Central YMCA Community College	460,500			0	3
Tuskegee Institute	832,500			0	3

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

DEC 13 1978

Mr. Gregory J. Ahart
Director
Human Resources Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Office of Education's Strengthening Developing Institutions of Higher Education Program Lacks Direction."

The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

Thomas D. Morris
Inspector General

Enclosure

Comments of the Department of Health, Education and Welfare on the General Accounting Office Draft of Proposed Report Entitled "Office of Education's Strengthening Developing Institutions of Higher Education Program Lacks Direction."

OVERVIEW

The Department of Health, Education and Welfare commends the General Accounting Office for the time and effort taken in preparing this analysis of the Title III (Strengthening Developing Institutions) Program.
We especially appreciate the fact that the Report will help us improve the administration of this important program.
The Report will be especially useful as we prepare new Proposed Title III Rules and in the reauthorization of the legislation.
We wish also to report that improving the management of Title III has been a top priority of the Secretary and the Commissioner and moves already have been made to strengthen the program in areas identified in your report.
Before responding to the specific recommendations in the Report, it is important to clarify some perceptions about the program and its legislation that appear in the text.
The General Accounting Office Report states that "the primary objectives of Title III was to share the cost of cooperative arrangements between developing institutions and other institutions of higher education..." (see page 4). We believe this is a misinterpretation of the law. The primary objective of the Title III program is to "strengthen developing institutions." Cooperative arrangements are but one of the methods authorized in the legislation to achieve this goal.
Similarly, the legislation does not imply that institutions "graduate" from the program. The question of continuity in the program is not addressed in the legislation. Thus, the Department cannot concur with the recommendation (page 26) that institutions must achieve a status of independence from the program.
The Secretary of Health, Education and Welfare has a general role to oversee all programs within the domain of this agency. The Congress specifically directed the Commissioner of Education to administer the program (page 27).
In the following comments where we speak of the "new proposed regulation", they were published on November 2, 1978 for a 60-day public comment period.
And now we wish to comment on specific recommendations.

GAO RECOMMENDATION

We recommend that the Secretary of Health, Education and Welfare direct the Commissioner of Education to modify existing or establish new eligibility criteria that would take into consideration the intent of Congress in continuing the program and that (1) will identify those institutions intended by the law and any amendments thereto.

DEPARTMENT COMMENT

We concur. The Commissioner moved to establish new eligibility criteria for the Title III program which include new parameters for the identification of developing institutions. (Subpart B - Section 169.12-18 of proposed regulations).

GAO RECOMMENDATION
We recommend that the Secretary of Health, Education and Welfare direct the Commissioner of Education to modify existing or establish new eligibility criteria that would take into consideration the intent of Congress in continuing the program and that (2) can be used to determine what these institutions require to reach developed status.

DEPARTMENT COMMENT
We concur. We do not believe that the Office of Education is at variance with the congressional intent of the Title III Program. We do need to sharpen eligibility requirements for program participation and this need is addressed in the new proposed Title III Regulations.
Of some importance is the fact that the distinction between a Basic and an Advanced Program has been removed. We plan to reestablish a single program. Institutions will now identify their own state of development and indicate the program(s) that will assist them to reach measurable goals of development. (Section 169.18 of proposed regulations).

GAO RECOMMENDATION
We recommend that the Secretary of Health, Education and Welfare direct the Commissioner to consistently apply those criteria in selecting institutions for program participation.

DEPARTMENT COMMENT
We concur. There are two sets of criteria in the new regulations -- one for establishing eligibility as a developing institution (Section 169.12 - 18) and one for evaluating applications (Sections 169.51 - 54). These criteria will be consistently applied in selecting institutions for program participation.

GAO RECOMMENDATION
We recommend that the Secretary of Health, Education and Welfare direct the Commissioner to use the refined criteria as standards for measuring the progress of funded institutions in meeting specific step by step categories of development which would move them toward their ultimate goals.

DEPARTMENT COMMENT
We concur. The Commissioner has moved to reorganize the Division of Institutional Development and to establish a planned program of monitoring, grants administration and technical review, and technical assistance activities. These changes, in combination with the new Proposed Rules which clarify eligibility for program participation, and new funding criteria will make it possible for the Office of Education to evaluate the various and complex stages of development of funded institutions in a more consistent manner.

GAO RECOMMENDATION
The Secretary should direct the Commissioner to give special attention to improving the field reader process by appropriately screening field readers to insure that they do not have conflicts of interest.

DEPARTMENT COMMENT
We concur. A number of significant changes have occurred in the grant awards process since the FY 77 funding cycle. Reviewers, for instance, are selected

for their ability to render expert judgements in the field(s) of their expertise and according to established program standards and objective criteria. The Commissioner has called for the development of a new slate of quality panelists. The current plan is to replace one-third of the readers on an annual basis. In addition, several other features were introduced in the FY 1978 evaluations:

(a) Each application for a Title III grant was reviewed by at least two non-Federal readers and these comments were evaluated by program staff for funding recommendations;

(b) No person served as a reader who had within the past year been a DID staff member or had line authority over a Title III project;

(c) No application was subjected to the established program review procedures more than once. The exception to this requirement was limited entirely to the improper constitution of a panel due to a conflict of interest, or some other compelling reason;

(d) No application was read by two reviewers who were from the same organization or institution;

(e) No reader resided within the State in which the applicant institution was located;

(f) Qualified minority and women reviewers were included in the complement of readers and were given an equitable opportunity to participate in reviews;

(g) Only sixty-seven percent of the readers had been used in previous funding cycles.

If a reviewer was unknowingly furnished an application with respect to which the individual may have a conflict of interest, special reviewing procedures would be followed:

(1) The reviewer was informed that to protect himself and the Office of Education from allegations of conflict of interest or favoritism, he must take individual responsibility for evaluating his own financial interests or those of his family that relate directly or indirectly to his duties on the panel.

(2) The reviewer was informed to absent himself from the panel meeting during the discussion and review of any application with respect to which he has a conflict of interest. The application and any information pertinent to the review of the application, such as site visit reports and audit reports, shall not be made available to the reviewer.

GAO RECOMMENDATION

We recommend that the Secretary of HEW direct the Commissioner of Education to reaffirm the need to adhere to Title III program grantee selection procedures which provide for consistent treatment of applications giving appropriate consideration to factors related to institution eligibility.

DEPARTMENT COMMENT

We concur. This will be accomplished by applying the two sets of criteria in the new regulations - one for establishing eligibility as a developing institution (Sections 169.12 - 18) and one for evaluating applications (Sections 169.51 - 54). These sharply defined parameters will provide for consistent treatment of applications and should result in grants being awarded to the most deserving institutions.

GAO RECOMMENDATION

The Secretary should direct the Commissioner to give special attention to improving the field reader process by giving appropriate written clearance if field readers with possible conflicts of interest must be used. This practice should be allowed only in rare circumstances.

DEPARTMENT COMMENT

We concur. The procedure used in fiscal year 1978 to insure that field readers did not have conflicts of interest, was as follows:

The prospective reviewers were required to submit OE Form 5249-1 "Certification of Absence of Conflict of Interest and Agreement on Scope of Work" and OE Form 5249-3 "Technical and/or Professional Services Contractors (Field Readers) Resume" prior to their use as panelists.
Unless approved in accordance with the provisions of HEW Grants Administration Manual Part III, Section 2, no individual was appointed to serve as a reviewer. An individual was judged to have a conflict of interest if his/her institution had a pending application in this year's competition. However, such persons are allowed to serve as a reviewer if the Deputy Commissioner certifies that without such person(s) it would not be practical to constitute an adequate review (e.g. the only individual with specialized expertise in the field). Justification to use such individuals was submitted in writing and approved by the Commissioner of Education. This justification will be obtained whenever an individual is judged to have a conflict of interest.

GAO RECOMMENDATION

The Secretary should direct the Commissioner to give special attention to improving the field reader process by providing appropriate guidance to field readers so that greater reliance can be placed on their recommendation.

DEPARTMENT COMMENT

We concur. The Division of Institutional Development has devised a new and thorough orientation program in which readers are carried through both weak and strong sample applications for a critique and discussion. We have further agreed that when a reviewer submits an inadequate evaluation, or when the program staff determines that all evaluations are inadequate, the Bureau of Higher and Continuing Education will reconvene additional panels to reread the proposals.

GAO RECOMMENDATION

The Secretary should direct the Commissioner of Education to provide grantee institutions with more specific guidance for the administration of Title III funds. The guidance should include detailed instructions for:

-- determining what types of costs may be charged against Title III grants;
-- maintaining financial records to support program expenditure including payments to consultants and assisting agency personnel assigned to Title III projects;
-- establishing, maintaining, and terminating relationships with assisting agencies;
-- returning to the Treasury funds not obligated by the end of the grant period and funds which have been allowed to accumulate at assisting agencies; and
-- providing detailed reports to OE on grant activities.

DEPARTMENT COMMENT

We concur. The Staff of the Division of Institutional Development will work with the Grants and Procurement Management Division to develop policies which address each of these issues no later than the spring of 1979. In addition, the staff will utilize Title III Workshops, Application Review sessions, and institutional monitoring visits to refine the management of projects. It is our intention to involve personnel from the Grants and Procurement Management Division to train Title III staff as well as accompany staff on site visits to perfect a more effective administration of Title III funds. Institutions which are identified with chronic management problems will be encouraged to seek specific and expert assistance to effect a thorough reform of fiscal management practices including those involving student financial assistance funds.

Finally, Workshops will stress the fiscal and administrative requirements found in the General Provisions (45 CFR, Part 100) which are also being revised for greater clarification and effectiveness.

GAO RECOMMENDATION

Additionally, the Commissioner should reemphasize the need for identifying potential problem institutions before grants are awarded.

DEPARTMENT COMMENT

We concur. This will be accomplished with in-depth site visits before the next funding cycle. These visits will include a careful review of an institution's performance under previously awarded Federal grants (Title III and other). OE's procedures for identifying and monitoring "high risk" grantees will be used as the basis for providing such institutions with whatever assistance they need in effectively and efficiently using Federal funds.

GAO RECOMMENDATION

The Commissioner should be directed to strengthen post-award monitoring of the financial activities of institutions (especially those identified as high risks) receiving Title III grants.

DEPARTMENT COMMENT
We concur. This will be accomplished by the establishment of a systematic site visitation program which includes the use of grants specialists to review the procedures followed by selected "high risk" institutions in administering program funds.

GAO RECOMMENDATION
The Secretary should also direct the Commissioner to implement existing procedures for the proper resolution of audit exceptions.

DEPARTMENT COMMENT
We concur. The Office of Education's Bureau of Higher and Continuing Education has moved to process audit exceptions in a timely manner. At the present time there are no outstanding audits in the Bureau.
In addition, the Secretary, by memorandum of November 6, 1978 to the Heads of all of the Department's principal operating components (POCs), directed that priority attention be given to the resolution of audit findings and the recovery of disallowed funds. The Inspector General will continue to review and provide Departmental oversight of the POCs' action on audit recommendations, including their resolution and implementation, and report to the Secretary quarterly on the effectiveness of such actions. The Assistant Secretary for Management and Budget will report to the Secretary quarterly, using the accounting system he is establishing with the POCs, on actual collections of audited funds disallowed, and will also include this activity in HEW's Department-wide efforts to reduce fraud, abuse, and waste.

GAO RECOMMENDATION
In addition, the HEW audit agency should schedule audits of each assisting agency which receives substantial Federal support to determine whether they are adhering to the General Provisions for Programs, Administrative and Fiscal Requirements (45 CFR, Part 100) and HEW regulations for the Title III program.

DEPARTMENT COMMENT
We concur. Appropriate review work is needed at selected assisting agencies. The Grants and Procurement Management Division within the Office of Education will schedule such reviews of each assisting agency which receives substantial Federal support under Title III. These will be completed before the next funding cycle. The HEW Audit Agency--based on the results of these programmatic reviews--will consider the necessity of possibly expanding its audits of Developing Institutions to include the activities of selected assisting agencies.

GAO RECOMMENDATION
We recommend that the Secretary of HEW direct the Commissioner of Education to require each institution provided Title III assistance to develop a comprehensive development plan.

DEPARTMENT COMMENT
We concur. Potential grantees will be required to refine their institutional mission and goals and to develop a long-range comprehensive development plan for achieving the institution's academic goals and strengthening its management or both. Institutional planning is a prerequisite before funds are allotted for program activities. (Sections 169.51-54 of proposed regulations).

GAO RECOMMENDATION
We recommend that the Secretary of HEW direct the Commissioner of Education

to insure that projects funded at individual institutions are necessary, compatible, and consistent with long-range development goals.

DEPARTMENT COMMENT
We concur. In the proposed Rules, applicants are required to examine the status of the institution's administrative structure, curriculum, student services, administrative personnel, instructional personnel and financial position to identify areas of the greatest need. From this analysis or self-assessment, the institution must propose individual programs that will be necessary, compatible and consistent with long-range development goals that address the described need(s).

GAO RECOMMENDATION
We recommend that the Secretary of HEW direct the Commissioner of Education to evaluate the role of assisting agencies used in the Title III program.

DEPARTMENT COMMENT
We concur. This will be accomplished by (1) audits to be conducted by the Grants and Procurement Management Division and (2) in-depth site visits of assisting agencies and the colleges they are serving by OE chosen evaluators. A specific plan for these visits will be developed and the visits will be completed before the next funding cycle.

GAO RECOMMENDATION
We recommend that the Secretary of HEW direct the Commissioner of Education to enforce stricter controls over the use of assisting agencies under Title III grants. Greater use of competitive selections of agencies should be encouraged. The services to be provided to the institutions should be clearly defined in a formal agreement showing how the services will move the school toward the main-stream and final payments to the agency should be made only after the agreed upon services have been provided. Coordinating institutions should require assisting agencies to submit periodic reports describing the services they have provided and these reports should be available to OE for review.

DEPARTMENT COMMENT
We concur. A special section in the Title III application will require the applicant to spell out the necessity for the competitive selection of agencies; formal agreement for the services to be provided; payment schedule; periodic reports describing services rendered to coordinating institutions and OE; the need for the coordinating institution to monitor participating institutions to make certain assisting agencies are delivering agreed upon services. (This will also be monitored by OE.)

GAO RECOMMENDATION
We recommend that the Secretary of HEW direct the Commissioner of Education to provide Title III grantees with more specific guidelines on requirements for conducting program evaluations. These guidelines should insure that:

-- the evaluation will include an appraisal of the success of each project funded under Title III,
-- an evaluation will be conducted on at least an annual basis by qualified individuals with no vested interests in the institution's program,
-- the evaluation will include a determination of the adequacy of the institution's administration of grant funds including necessary monitoring, support for expenditures, and prior authorizations for changes; and the performance of assisting agencies including services to be provided to

specific institutions, agreements with consultants, and assignment of personnel to work with developing institutions.

-- the evaluation will provide an appraisal of the progress being made by the institution toward meeting development goals.

DEPARTMENT COMMENT

We concur. A monitoring plan and an evaluation instrument is being developed which will be operational before the next funding cycle. High risk institutions will be visited first. The practice of having assisting agencies evaluate the success of programs at the colleges they are serving, including "impact" studies, will be eliminated. The application form will include a section providing suggestions on effective evaluation procedures and reminding applicants that a line item in the budget for evaluation must be part of their over-all budget.

GAO RECOMMENDATION

The Commissioner of Education should be directed to design a better system for monitoring external evaluation reports. This will require more feedback to the institutions on the success of their programs and more follow-up on potential problem areas identified during the evaluations.

DEPARTMENT COMMENT

We concur. This will be accomplished in the reorganization of the Division of Institutional Development. A "Program Evaluation and Accountability Section" will be staffed by qualified professionals with the capability of monitoring evaluation reports and providing immediate feedback to institutions of identified problem areas. Follow-up will be accomplished by systematic site visits, with specific attention paid to identified areas of concern.

GAO RECOMMENDATION

The Commissioner should also be directed to improve the site visitation program for Title III. This should include the development of the following:

-- Periodic coverage of all institutions receiving grants. "High-risk grantees" and schools which have had previous problems in administering grants should be the first schools visited.
-- Uniform guidelines for conducting site visits, including determination of the adequacy of institutions' financial operations under Title III grants, to insure comprehensive and uniform coverage at each location visited.
-- A standardized reporting format to allow comparisons of the performance of institutions.
-- A system for providing feedback to the institutions and follow-up action on problems identified during the visits.

DEPARTMENT COMMENT

We concur. A systematic monitoring plan is being developed and staff training has already commenced. "High-risk grantees" and schools which have had previous problems in administering grants will be priority targets for site visits. Further, a manual which will provide the staff with uniform guidelines for conducting site visits, including the determination of the adequacy of the institution's financial operations under Federal grants, is being developed and should be ready for field testing in the early spring of 1979.

The Office of Education is already at work on developing a standardized reporting format to allow comparisons of performances of funded institutions. This requires the ability to factor into the format the uniqueness of each developing institution and the myriad of activities supported under the aegis of Title III. It is important to point out that there is no common core of activities at all funded institutions; rather, each institution addresses specific needs that vary considerably and depend upon a large number of factors such as resources, personnel, funds, and stage of development.

Finally, as pointed out previously, a system to provide timely feedback to the institution and follow-up action on identified problems is being developed as a part of the entire monitoring process described above.

GAO note: Page references in this appendix refer to a draft report, which may differ from this report.

APPENDIX V

federal register

THURSDAY, NOVEMBER 2, 1978
PART II

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office of Education

■

STRENGTHENING DEVELOPING INSTITUTIONS PROGRAM

[4110-02-M]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office of Education

[45 CFR Part 169]

STRENGTHENING DEVELOPING INSTITUTIONS PROGRAM

AGENCY: Office of Education, HEW.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Comissioner of Education proposes to amend the regulations for the strengthening developing institutions program, title III of the Higher Education Act. The amendments reflect new policy that will improve the administration of the program. The regulations establish the rules under which the Commissioner of Education (1) determines whether an institution of higher education qualifies as a developing institution, and (2) selects those developing institutions that will be awarded title III assistance in a particular fiscal year.

DATES: Comments must be received on or before January 2, 1979. Public hearings will be held in Washington, D.C., on November 27, 1978; Bronx, N.Y., on November 30, 1978; New Orleans, La. on December 4, 1978; El Paso, Tex., on December 6, 1978; Los Angeles, Calif., on December 11, 1978; and St. Louis, Mo., on December 15, 1978; all beginning at 10 a.m.

ADDRESSES: Public hearings will be held in the following locations:

November 27, 1978—Washington, D.C., University of the District of Columbia, Van Ness Campus, Building 9-A05, 4200 Connecticut Avenue NW. Contact: Mrs. Emily Chisley, telephone 202-282-7424.

November 30, 1978—Bronx, N.Y., City University of New York, Hostos Community College, 475 Grand Concourse. Contact: Mr. Wiley Edgecombe, telephone 212-960-1008.

December 4, 1978—New Orleans, La., Xavier University, Student Center, Gold Room, 7325 Palmetto Street. Contact: Mr. Milton Granger, Jr., telephone 504-486-7411, extension 373.

December 6, 1978—El Paso, Tex., El Paso Community College, Gymnasium, 6601 Dyer Street. Contact: Mr. Phillip Welch, telephone 915-594-2180.

December 11, 1978—Los Angeles, Calif., Mount Saint Mary's College, Chalon Campus, 12001 Chalon Road. Contact: Sister Adrian Claire, telephone 213-476-2237, extension 267.

December 15, 1978—St. Louis, Mo., Harris Stowe College, Room 311, 3026 Laclede Street. Contact: Mrs. Mary K. Jones, telephone 314-533-3366.

Comments should be addressed to: Dr. Anita F. Allen, Division of Institutional Development, (Room 3058, Regional Office Building 3), 400 Maryland Avenue SW., Washington, D.C. 20202. Comments received will be available for inspection at this same address between the hours of 8:30 a.m. and 4 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT:

Dr. Anita F. Allen, telephone 202-245-9754.

SUPPLEMENTARY INFORMATION:

BACKGROUND

Under title III of the Higher Education Act of 1965, the Commissioner of Education assists developing institutions of higher education to strengthen their academic quality and administrative capacity. The strengthening developing institutions program has been funded since fiscal year 1966.

HIGHLIGHTS

These proposed regulations explain the purpose of the program and describe the characteristics the Commissioner looks for in determining whether an institution of higher education should be classified as developing.

Some of the eligibility characteristics which the Commissioner considers are as follows:

1. Whether an applicant institution has the desire and potential to make a special contribution to the higher educational resources of the Nation and whether it is making a reasonable effort to meet that objective.

2. Whether an applicant has taken steps to ensure its survival. If there is evidence of certain conditions that might be regarded as impediments to an institution's survival, the institution explains what it has done to improve those conditions.

The regulations describe in detail the types of awards that the Commissioner makes: Cooperative arrangement grants, national teaching fellowships, and professors emeritus grants.

There are two types of cooperative arrangements—bilateral and consortium. The regulations describe conditions that participants in a consortium must meet. They explain how the duration of cooperative arrangement grants may vary from 1 to 5 years, depending on the type of activity for which an applicant requests Federal assistance.

The regulations specify: (a) Activities for which an institution may request Federal funds;

(b) Priorities of the program; and

(c) Costs to which the institution may apply title III assistance.

SELECTION

The regulations also describe the methods the Commissioner applies in determining whether a developing institution should receive Federal financial assistance. The fact that an institution is classified as developing does not automatically entitle it to assistance.

The regulations describe how successful applicants are selected for awards by:

Explaining the Commissioner's use of review panels to examine applications and recommend ratings to the Commissioner;

Listing application review criteria and indicating the maximum number of points that may be awarded for each criterion, according to the relative importance of that criterion as determined by the Commissioner;

Describing how certain applicants are selected for further consideration after initial screening procedures;

Listing additional criteria, with respective maximum points, in rating those applicants' relationship to program priorities; and

Describing methods for overall ranking and final selection.

CHANGES

These proposed regulations introduce certain changes from previous regulations governing this program.

In specifying the characteristics the Commissioner looks for to determine whether an institution of higher education should be classified as developing, the proposed regulations include two quantitative criteria on which an applicant institution is ranked:

(a) Average educational and general (E&G) expenditures per full-time-equivalent (FTE) students; and

(b) Average basic education opportunity grant (BEOG) award per FTE undergraduate student.

In another change, the proposed regulations require an institution seeking designation to demonstrate that it is making a constructive effort to strengthen itself.

These proposed regulations established a single program—rather than the previous two separate programs—under title III. The single program concept recognizes the infinite variety to strengths and weaknesses of institutions. Thus, each applicant may request funds based on its respective needs. The focus of the activities for which an applicant seeks Federal financial assistance determines the size and duration of the grant for which the Commissioner may consider that applicant.

The use of weighted selection criteria and specification of how applications will be ranked is new in these regulations. This will permit more objective grantee selection. The proposed regulations identify the factors used in evaluating the quality of each application and establish the maximum number of points that the Commissioner may award each factor. By providing greater weights for higher priority purposes, the proposed regulations will also encourage an applicant institution to focus on the achievement of program goals.

Other than an assisting agency or institution, each institution participating as an applicant in a consortium under this program must be a developing institution as defined in these regulations.

In the section on funding limitations, the proposed regulations address the relationship between title III funding and policies related to the decree in the *Adams* v. *Califano case*, not previously addressed by regulations.

Dated: August 28, 1978.

JOHN ELLIS,
Acting U.S. Commissioner of Education.

Approved: October 18, 1978.

JOSEPH A. CALIFANO, Jr.,
Secretary of Health, Education, and Welfare.

(Catalog of Federal Domestic Assistance No. 13.454, Strengthening Developing Institutions.)

Part 169 of title 45 of the Code of Federal Regulations is amended to read as follows:

PART 169—STRENGTHENING DEVELOPING INSTITUTIONS

AUTHORITY: Sec. 301-306 of title III of the Higher Education Act of 1965, as amended (20 U.S.C. 1051-1056), unless otherwise noted.

Subpart A—General Information

§ 169.1 Program and regulation purposes.

(a) Under the authority of title III of the Higher Education Act of 1965, the Commissioner assists selected higher education institutions to strengthen their academic quality, administrative capacity, and student services. These institutions are called developing institutions:

(1) They are struggling for survival.

(2) They are isolated from the main currents of academic life.

(3) They possess the desire and potential to make a substantial and distinctive contribution to the higher educational resources of the Nation.

(4) They are distinguished from other institutions of higher education by serving a significant number of economically deprived students.

(5) They are making a reasonable effort to improve the quality of their program.

(b) The purpose of the title III assistance is to further strengthen the capacity of the institutions to make a substantial contribution to American higher education by improving their:

(1) Academic program,

(2) Administrative and management capability,

(3) Student services, and

(4) Fiscal stability.

(c) The purpose of these regulations is to establish the rules under which the Commissioner determines whether an institution of higher education qualifies as an eligible developing institution and selects those developing institutions that will be awarded title III assistance in a particular fiscal year.

(20 U.S.C. 1051, et seq.)

§ 169.2 Definitions.

As used in this regulation:

"Academic year" means the period of the annual instructional session of an institution of higher education, such as two semesters, three quarters, or two trimesters.

"Act" means the Higher Education Act of 1965, as amended.

"Applicant" means an institution of higher education that applies for assistance under title III.

"Commissioner" means the U.S. Commissioner of Education or his designee.

"Institution of higher education" means an educational institution as defined in section 1201(a) of the Act.

"Public," as used to describe an institution of higher education, means under the control of a State or local governmental body.

"State" means any one of the States in the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, the Trust Territory of the Pacific Islands, and the Government of the Northern Mariana Islands.

(20 U.S.C. 1141(b).)

"Title III" means the strengthening developing institutions program as authorized under title III of the Act.

(20 U.S.C. 1051-1056.)

§ 169.3 Allocation of funds between 2-year and 4-year institutions.

The Commissioner allocates 76 percent of each fiscal year's appropriation for title III to institutions awarding bachelor's degrees and 24 percent to junior and community colleges.

(20 U.S.C. 1051(b).)

§ 169.4 Funding limitations.

(a)(1) No funds may be used under this part for activities that are inconsistent with the purpose of moving the grantee institution into the main currents of academic life.

(2) The Comissioner considers any activity that impedes the elimination of, or establishes segregated attendance patterns at that institution as inconsistent with the purpose stated in subparagraph (1).

(b) No funds may be used for activities, such as curriculum development or faculty improvement, that are inconsistent with a State plan for higher education applicable to that institution.

(c) Each developing institution receiving a title III grant shall assure that any activity funded under title III will not:

(1) Establish, increase, or impede the elimination of segregated attendance patterns at that institution, or

(2) Be inconsistent with a State plan for higher education applicable to that institution.

(20 U.S.C. 1051-1056.)

§ 169.5 General provisions regulations.

Assistance provided under this part is subject to applicable provisions contained in subchapter A of this chapter (relating to fiscal, administrative and other matters, except for the funding criteria).

(20 U.S.C. 1051-1056.)

Subpart B—Criteria for Designation as a Developing Institution

§ 169.11 General rules.

(a) To be considered for funding under title III an institution of higher education must be designated by the Commissioner as a "developing institution."

(b) An institution that is not designated as a developing institution is not eligible for title III assistance but may reapply for designation as a developing institution in a subsequent year.

(c) An institution shall submit a request for designation as a developing institution prior to submission of an application for funding under title III. Effective with application for fiscal year 1980 funds, the institution shall submit a request at least 8 weeks before the announced deadline date for receipt of applications.

(d) Designation of an institution as developing does not guarantee that the Commissioner funds the institution's application. The Commissioner decides whether to fund a developing institution's application for title III assistance on the basis of procedures set out in Subpart F, "Grantee Selection."

(e) The Commissioner reviews the status of an institution as a developing institution before awarding any title III funds to the institution and notifies the institution of the determination.

If the Commissioner determines that the institution is not a developing institution based on the criteria in this subpart, the Commissioner notifies the institution of the basis for the determination.

(20 U.S.C. 1051, 1052.)

§ 169.12 Designation as a developing institution.

The Commissioner designates an institution as a developing institution if it meets each of the following criteria.

(a) First an institution must:

(1) Be an eligible institution of higher education (§ 169.13);

(2) Provide an educational program authorized by the State in which it is located (§ 169.14);

(3) Have achieved appropriate accreditation status (§ 169.15); and

(4) Have met the requirements of paragraphs (2) and (3) for 5 consecutive years, including the year in which the institution seeks designation as a developing institution, unless the Commissioner has accorded it a waiver in order to increase higher educational opportunities for Indians or Spanish-speaking people. (§ 169.16)

(b) Second, an institution must document that, for financial or other reasons, it is struggling for survival, and it must show that it has taken deliberate and constructive steps over the past 3 years to strengthen its fiscal status. (§ 169.17)

(c) Third, an institution must demonstrate that it is out of the main currents of academic life by reason of serving a student body with a particularly high percentage of students who are economically deprived. (§ 169.17)

(d) Fourth, an institution must have the desire and potential to make a substantial and distinctive contribution to the higher educational resources of the Nation. The institution's mission and goals must clearly reflect that desire. The institution must also be making a resonable effort to meet its mission and accomplish its goals through activities carried out over the past 3 years to improve the quality of: (1) Its instruction, (2) its management and administration, (3) its instructional and administrative staffs, and (4) its student services. (§ 169.18)

(20 U.S.C. 1051, 1052.)

§ 169.13 Eligible institutions of higher education.

(a) To be designated as a developing institution, an institution must be an institution of higher education that:

(1) Awards a bachelor's degree; or

(2) Is a junior or community college, as defined in section 302 of the Act

(b) To be designated as a developing institution, a branch campus of a university or college must be a separate institution of higher education and be independent from the main campus. The branch campus must have accreditation status, budget control, and hiring authority all separate from the main campus.

(20 U.S.C. 1052(a)(1).)

§ 169.14 Legal authorization for education program.

To be designated as a developing institution, the institution must provide an educational program that is legally authorized by the State in which it is located.

(20 U.S.C. 1052(a)(1).)

§ 169.15 Accreditation status.

(a) To be designated as a dveloping institution the institution must be either:

(1) Accredited as a bachelor's degree-granting institution or as a junior or community college by a nationally recognized accrediting agency or association; or (2) Determined by the appropriate accrediting agency or association to be making reasonable progress toward accreditation.

(b) If an institution that is a junior or community college has changed to or merged with a bachelor's degree-granting institution, the institution must be accredited or be making reasonable progress towards accreditation in its new status.

(20 U.S.C. 1052 (a) (1).)

§ 169.16 Five-year requirement.

(a) To be designated as a developing institution, an institution must have met the requirements of §§ 169.14 and 169.15, except as provided in paragraph (b), for 5 consecutive academic years, including the academic year in which the institution seeks designation as a developing institution.

(20 U.S.C. 1052(a)(1)(C).)

(b) The Commissioner may waive all or part of the 5-year requirement of paragraph (a) in the following circumstances: (1) If the Commissioner determines that the granting of a waiver for an institution will increase higher educational opportunities for Indians, the Commissioner may waive the 5-year requirement for an institution that is located on or near an Indian reservation or near a substantial population of Indians; and (2) If the Commissioner determines that the granting of a waiver for an institution will sustantially increase higher educational opportunities for Spanish-speaking people, the Commissioner may waive 3 years of the 5-year requirement. (c) To apply for a waiver under either paragraph (b)(1) or (b)(2), an institution shall request and justify the granting of the waiver.

(20 U.S.C. 1052(a)(2).)

§ 169.17 Struggling for survival and isolated from the main currents of academic life.

(a) The Commissioner groups institutions applying for designation as developing institutions as follows: (1) Public bachelor's degree-granting, (2) public junior or community college, (3) Private bachelor's degree-granting, and (4) private junior or community college.

(b) To be designated as a developing institution, the institution, must be struggling for survival for financial or other reasons and be isolated from the main currents of academic life. In addition, the institution must be making a constructive effort to ensure that it will continue to survive.

(c) To assist in determining whether an institution is, in fact, struggling and isolated, the Commissioner awards points to the institution for its average educational and general (E&G) expenditures per full-time equivalent (FTE) student and for the average basic educational opportunity grant (BEOG) award per FTE undergraduate student.

(1) The Commissioner assigns points to the institution—on a scale of 0-100—on the basis of its average E&G expenditure per FTE student. The points awarded reflect the institution's position on the percentile scale when compared to the student expenditures

of all other similar institutions. For example, an institution that is estimated to be in the 98th percentile when compared to other colleges (a *high per-student expenditure*) receives two points, while an institution estimated to be in the second percentile (a *low per student expenditure*) receives 98 points. (See the illustrative chart in subparagraph (3).)

(2) *The Commissioner also* assigns points to the institution on a scale of 0–200—on the basis of the average BEOG award per FTE undergraduate student. The points awarded will be based on the institution's percentile ranking when compared to all other similar institutions. For example, an institution that is estimated to be in the 97th percentile (a large BEOG award per student) percentile receives 194 points, while an institution estimated to be in the third percentile (a small BEOG award per student) receives six points. (See the chart in subparagraph (3)).

(3) The following chart illustrates how the points for these factors are assigned:

POINT SYSTEM FOR INSTITUTIONAL CHARACTERISTICS

Percentile rank	Points: Average E&G expenditures per FTE student	Points: Average BEOG award for FTE undergraduate student
99.5	0	200
99	1	198
98	2	196
* * *	*	*
2	98	4
1	99	2
0.5	100	0

(4) To determine the percentile rankings in these two categories, the Commissioner uses data from the second year preceding the one in which the institution seeks designation as a developing institution. (For example, an institution seeking designation as a developing institution in fiscal year 1979 would submit data based on the 1976–1977 academic year.) A total of 174 points meets the quantitative requirements of this section—the combined total of the points earned in the per-student expenditure and basic grant calculation. An institution that receives fewer than 175 points may submit a written statement explaining why the indicators do not sufficiently reflect its status as a struggling institution and one isolated from the main currents of academic life. After reviewing the institution's submission, the Commissioner may determine that the institution, in fact, is struggling for survival and is isolated from the main currents of academic life.

(20 U.S.C. 1052.)

(e) In addition to the quantitative factors, each institution shall supply to the Commissioner a written narrative that describes the steps it has taken, over the past 3 years, to insure its survival. On the basis of this narrative the Commissioner determines whether the institution has been making a constructive effort to strengthen itself. If any of the following conditions apply, the institution shall explain why such a condition exists and what has been done to improve the situation:

(1) A decrease in full-time equivalent student enrollment of 5 percent or more for the 3-year period preceding the year in which the institution seeks designation as a developing institution.

(2) A decrease in total current funds revenues during any of the 3 years preceding the year in which the institution seeks designation as a developing institution.

(3) An excess of expenditures plus mandatory transfers over revenues in the unrestricted current funds during any 2 of the 3 years preceding the year in which the institution seeks designation as a developing institution. In this section, the term "current funds" means the funds available for use in meeting current operations.

(20 U.S.C. 1052(a)(1)(D)(ii).)

§ 169.18 Desire, potential, and reasonable effort.

(a) To be designated as a developing institution, an institution must possess the desire and potential to make a substantial and distinctive contribution to the higher educational resources of the Nation. Such a contribution might, for example, be to provide access to a particular group of students who would not otherwise have access to an institution of higher education; or the institution may offer a particular set of academic programs that are not otherwise available to the types of students who comprise its student body.

(b) In addition, the institution must have taken concrete steps to improve its overall academic and administrative capacity over the past 3 years and, specifically, have made a reasonable effort to improve the quality of its administrative and instructional staffs and its student services.

(c) The institution shall submit to the Commissioner, as part of its request for designation as a developing institution, a narrative describing:

(1) The mission and goals of the institution; and

(2) The tangible progress that the institution has made over the past 3 years to reach its specific goals, with special emphasis on activities carried out in the improvement of:

(i) Instructional staff,

(ii) Administrative staff, and

(iii) Student services.

(d) On the basis of the narrative the Commissioner determines whether the institution meets the criteria of having the desire and potential of making a significant contribution to the higher educational resources of the Nation and has been making a reasonable effort to improve its instructional program, its administrative capacity, and its student services.

(20 U.S.C. 1054.)

Subpart C—Types of Awards

§ 169.21 Introduction.

The Commissioner makes three types of awards of title III assistance:

(a) Cooperative arrangement grants;

(b) National teaching fellowships; and

(c) Professors emeritus grants.

Each award is made from a single fiscal year's appropriation for title III.

(20 U.S.C. 1054(b).)

§ 169.22 Cooperative arrangements.

(a) A cooperative arrangements is one or more working relationships between a developing institution and other institutions of higher education, agencies, organizations, or business entities to assist the developing institution in implementing activities under a title III grant.

(b) There are two kinds of cooperative arrangements:

(1) *Bilateral arrangements.* Under a bilateral arrangement the developing institution shall draw upon the assistance and services of another higher education institution, agency, organization, or business entity to strengthen its academic quality, or administrative, management, and financial capacity.

(2) *Consortium arrangements.* (i) Under a consortium arrangement, two or more developing institutions may work with each other to strengthen themselves in the areas indicated or enter into an arrangement with an institution of higher education, agency, organization, or business entity to help a cluster of developing institutions carry out allowable activities.

(ii) One of the developing institutions participating in the consortium arrangement shall serve as the applicant and coordinator.

(iii) The institution coordinating the consortium arrangement is responsible for complying with the terms and conditions of the grant.

(iv) Every participating institution receiving services from a consortium arrangement shall be a developing institution and shall receive services in proportion to its share of the grant.

(v) The size of a consortium arrangement is limited to the number of institutions that can be effectively and efficiently served.

(20 U.S.C. 1054.)

§ 169.23 National Teaching Fellowship Grant.

(a) A National Teaching Fellowship grant is the second type of award made by the Commissioner under title III. A developing institution may request a National Teaching Fellowship either:

(1) As part of a cooperative arrangement; or

(2) Independent of any other type of award.

(b) The Commissioner awards a National Teaching Fellowship of one or two years' duration through a developing institution to:

(1) Junior faculty members from institutions other than the applicant institution; and

(2) Graduate students—from institutions other than the applicant institution—who have at least a master's degree or related professional experience.

(c) A developing institution may have a National Teaching Fellow:

(1) Teach in an understaffed or new academic program; or

(2) Substitute for a faculty member released for further training or advanced study.

(d) A National Teaching Fellow shall serve as a full-time faculty member at the developing institution through which the award is made.

(e) Each national teaching fellow receives a stipend of $7,500 plus $400 per dependent for each academic year of teaching. A developing institution at which a national teaching fellow teaches may supplement the stipend with funds from sources other than title III.

(20 U.S.C. 1054.)

§ 169.24 Professors emeritus grant.

(a) A professors emeritus grant is the third type of award made by the Commissioner under title III. A developing institution may request a professor emeritus grant either:

(1) As part of a cooperative arrangement; or

(2) Independent of any other type of award.

(b) The Commissioner awards a professors emeritus grant through a developing institution to a professor who has retired from active service at an institution of higher education other than the grantee institution.

(c) A developing institution may have a professor emeritus:

(1) Teach in an understaffed or new academic program;

(2) Substitute for a faculty member released for further training or advanced study; or

(3) Conduct research to aid the development of the institution.

(d) A professors emeritus grant includes a stipend for each academic year of teaching or research at the developing institution through which the award is made. The stipend may not exceed the salary of a comparable staff member of the developing institution. A developing institution at which a professors emeritus grant recipient serves may supplement the stipend with funds from sources other than title III.

(e) The period of a professors emeritus grant may not exceed 2 academic years. However, one additional 2-year period may be funded to complete the program objectives of the original award, if approved by the Commissioner upon the advance of the title III advisory council.

(20 U.S.C. 1054.)

Subpart D—Scope and Duration of Grants for Cooperative Arrangements

§ 169.31 Allowable activities.

(a) In submitting an application a developing institution shall examine the status of its administrative structure, curriculum, student services, administrative personnel, instructional personnel, and financial position and identify the areas of greatest need.

(b) Further, the institution shall identify the steps it will take to strengthen its capacity to fulfill its unique mission and make a substantial contribution to the higher educational resources of the Nation.

(c) Finally, the institution shall show that it can carry out the planned activities within the context of the proposed title III cooperative arrangement.

(d) Authorized activities are those that:

(1) Clarify institutional goals;

(2) improve the curriculum;

(3) Strengthen student services;

(4) Promote faculty development;

(5) Improve administrative services and fiscal management; and

(6) Develop innovative academic programs.

(20 U.S.C. 1054.)

§ 169.32 Allowable costs.

(a) The Commissioner pays part of the costs related to the planning, development, and implementation of allowable activities.

(B) In addition to the cost limitations imposed by the Office of Education general provisions for direct project grant and contract programs (45 CFR 100a), the following cost limitations apply:

(1) Indirect costs may not be charged to the grant.

(2) The purchase of equipment is limited to equipment that is necessary to achieve program objectives.

(3) Grant funds may not be used for construction.

(20 U.S.C. 1054.)

§ 169.33 Duration of cooperative arrangement grants

(a) An applicant may receive a grant of 1, 2, 3, 4, or 5 years' duration. The requirements of the cooperative arrangement determine the length of the award.

(b) Grants of one year's duration are awarded to refine institutional mission and goals and to develop long-range plans for achieving an institution's academic goals or strengthening its management or both. The Commissioner may award an institution, during its participation in the program, a maximum of three grants for these purposes.

(c) Grants of up to 3 years' duration are to support the development and short-term implementation of other activities in any allowable areas.

(d) Grants of up to 5 years' duration are to support implementation of long-term programs to improve an institution financially and to strengthen its management.

(20 U.S.C. 1051, 1054.)

Subpart E—Application Procedures

§ 169.41 Submission of Applications

(a) An applicant for a title III grant shall file an application by the closing date established annually by the Commissioner in a notice published in the FEDERAL REGISTER.

(b) An applicant shall include in its application such information as the Commissioner considers necessary to make determinations under title III.

(20 U.S.C. 1051, 1054.)

Subpart F—Grantee Selection

§ 169.51 Introduction.

The Commissioner makes final decisions regarding the funding of all title III applications based on the rules and procedures established in this subpart. In evaluating the applications, the Commissioner may seek and use information from existing public records and from site visits to developing institutions in addition to rating the information submitted in the formal application.

(20 U.S.C. 1051, 1054.)

§ 169.52 Application review criteria and use of review panels.

(a) The Commissioner appoints review panels to provide the Commissioner with comments on and recommended ratings for the applications. The Commissioner appoints separate panels to review applications from bachelor's degree-granting institutions and from junior and community colleges. The panels numerically rate each application assigned to them and provide the Commissioner with comments on each.

(b) A panel judges each application on the following criteria with points assigned to each criterion:

(1) The extent to which the application's mission and goals statement reflects the needs of its constituents. (15 points)

(2) The extent to which the applicant clearly states the objectives of the proposed activities. (5 points)

(3) The extent to which the size, scope, and duration of the proposed activities will contribute to the stated goals. (25 points)

(4) The extent to which any proposed cooperative arrangements will help achieve project objectives. (10 points)

(5) The extent to which the administration of the proposed program is adequate. (15 points)

(6) The extent to which evaluation procedures are adequate. (10 points)

(7) The extent to which a plan has been developed to ensure continuation of the proposed activities after the grant ends. (5 points)

(8) The extent to which the proposed cost of the project is reasonable and realistic. (15 points)

(20 U.S.C. 1051, 1054.)

§ 169.53 Rating for program priorities.

After considering the comments of the review panels and the ratings recommended by them the Commissioner assigns to each application an appropriate number of points for each criterion listed in paragraph (b) of § 169.52. The Commissioner considers further for selection only those applications that receive a rating of 50 or more points. Applications receiving 50 or more points under § 169.52 will be further rated on the extent to which the proposed activities will:

(a) Strengthen the academic program and provide a successful educational experience for low-income or minority students; (25 points)

(b) Contribute to the long term stability of the institution and overcome the circumstances that threaten survival; (25 points)

(c) Increase upward mobility for graduate and professional study; (10 points)

(d) Improve the institution's overall administrative capacity; (10 points) and

(e) Improve the applicant's management of Federal assistance programs, including student financial aid programs. (5 points)

In addition, the Commissioner may award up to 25 points for an application from an institution which has one or more of the following characteristics:

(1) The institution serves a particularly large percentage of low-income students.

(2) The institution provides a unique or particularly productive educational program for its students.

(3) The institution has, at present, particularly strong and effective management and administration of Federal programs and funds including Title III, and student assistance programs such as the Guaranteed Student Loan; the National Direct Student Loan; Basic Educational Opportunity Grants; Supplemental Education Opportunity Grants; College Work Study and State Students Incentive Grants Programs.

(4) The institution, because of its geographic location, provides access to students who otherwise might be unable to attend college.

(20 U.S.C. 1051, 1054.)

§ 169.54 Overall ranking and selection.

(a) The Commissioner totals the points each application received for general quality (§ 169.52) and for addressing program priorities (§ 169.53).

(b) The Commissioner then ranks the application on the basis of the total number of points it received. The Commissioner ranks applications from bachelor's degree-granting institutions separately from those from junior or community colleges.

(c) The Commissioner awards grants on the basis of the descending order in which applications are ranked.

(20 U.S.C. 1051, 1054.)

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