

Archived Information

Management Challenges: Successes and On-going Efforts

Background

The U.S. Department of Education's mission to ensure equal access to education and to promote educational excellence throughout the nation requires that the Department be a high-performance agency. Once the transition to the new administration is completed, the Department will prepare the full department-wide 2002 Management Plan in greater detail. This document addresses some of the major issues facing the Education Department in the coming year: areas identified by the General Accounting Office, the Education Department's Office of the Inspector General, and the key Government-wide management issues that the Bush Administration has identified for immediate action.

Over the last year, the General Accounting Office (GAO) and Education's Office of Inspector General (OIG) have issued reports that both complement the Department on its improved management as well as highlight areas for continued concern. The management challenges raised by GAO and OIG and the new administration's immediate management goals fall into the following areas:

- (1) ensuring financial integrity (including financial aid delivery),
- (2) providing and securing information and technology systems,
- (3) improving general management and contracting, and
- (4) improving the quality of program performance data and evaluations.

Management Challenge #1: Ensuring Financial Integrity: The Education Department will manage its programs and services to ensure financial integrity.

Overview of Financial Integrity

The Education Department and Congress need accurate and timely financial information to make informed decisions on how education dollars are spent. It is also necessary for the taxpayer to have confidence that education funds are effectively and efficiently applied to achieve the results that Congress intended. The Department of Education is committed to sound financial management and maintaining financial systems that fulfill these needs.

In January 2001, GAO reported¹ that Education grant funds were vulnerable to fraud, waste, and mismanagement because of weaknesses in its financial management system, specifically inadequate fund control mechanisms and weak internal controls. GAO concluded that Education needs to implement many actions to resolve its financial management weaknesses, such as purchasing a new general ledger system, acquiring new software tools, and improving internal controls.

The Education Department's activities in Student Financial Aid are particularly important in addressing financial integrity. Since 1990, GAO has designated the Department's Student Financial Aid (SFA) programs as a high-risk area for fraud, waste, abuse, and/or mismanagement. The programs provide over \$60 billion in federal student aid grants and loans to over 8 million students and parents. The Department is dedicated to removing SFA from GAO's list of high-risk areas. Corrective actions by the Department have helped to make SFA more efficient and effective. GAO continues to feel that these programs are at risk primarily because the Education Department lacks the financial and management information needed to manage these programs effectively and the internal controls needed to maintain the integrity of operations.²

A discussion of SFA's progress in identifying unit costs can be found in the SFA program plan.

Our Role

Ensuring financial integrity of the Education Department's programs and services is achieved through compliance with numerous financial laws and regulations while focusing on results, service quality, and customer satisfaction. To achieve this objective, the Department's Office of the Chief Financial Officer (OCFO) is implementing the following systems and policies: a new general ledger software system; financial policies and procedures designed to enhance internal controls, and reconciliation and reporting processes. OCFO is also improving the agency's acquisition system to support mission-critical departmental and program office objectives, as well as the grants process. These improvements will better serve our internal and external customers and provide better decision-making information for Congress and our program offices.

¹ United States General Accounting Office (2001). *Major Management Challenges and Program Risks: Department of Education*.

² United States General Accounting Office Internal Control Weaknesses Leave Department of Education Vulnerable to Improper Payments, Testimony of Jeffrey C. Steinhoff, Before the Subcommittee on Select Education, Committee on Education and Workforce, House of Representatives, April 3, 2001

Performance Indicators and Targets for Ensuring Financial Integrity

1a. Auditors will issue an unqualified (clean) opinion on the Department-wide annual financial statements every year.

Assessment of Progress. Significant Progress but goal not achieved yet. The Education Department is progressing with its planned improvements needed to achieve annual clean audit opinions. The FY 2000 audit was completed on time and resulted in a qualified opinion. The following are some important milestones bringing us closer to annual clean audit opinions:

- The phased implementation of the new accounting system is on schedule. Phase I including accounts receivable and general ledger modules were completed in December 2000. All other phases of the implementation will be completed by October 2001.
- Cash Reconciliation has improved through increased training and implementation of reconciliation software.
- Grant and Administration Payment System transactions were reconciled with general ledger for FY 2000.
- A new database of standardized policy and procedures is available through the intranet for easy access by all employees.

Fiscal Year	Audit opinion*	Material Weaknesses**	Reportable Conditions***
1997 actual	Unqualified	4	3
1998 actual	Disclaimer****	3	4
1999 actual	Qualified	4	4
2000 actual	Qualified	3	2
2001 target	Unqualified	0	2
2002 target	Unqualified	0	0

Source: Annual Auditor's reports. **Frequency:** Annual. **Next update:** FY 2001 Financial Statement Audit Report (due from auditors in March 2002). **Validation procedure:** Independent auditors follow professional standards and conduct the audit under the oversight of the Office of the Inspector General. The Inspector General participates in the conduct of the audit and the reporting/tracking of material weaknesses. **Limitations of data and planned improvements:** None.

***Unqualified:** Indicates the external auditor believes the financial statements present fairly the financial position and results of operations in accordance with Generally Accepted Accounting Principles. It is commonly referred to as a "clean opinion."

Qualified: Indicates the auditor believes the financial statements present fairly the financial position and results of operations in accordance with Generally Accepted Accounting Principles "except for" those areas detailed in the audit report.

Disclaimer: Indicates the auditor was not able to perform sufficient testing or analysis of the financial data to express an opinion on the fairness of the financial statements presentation of the financial position and results of operations.

**** Material Weakness –** The design or operation of one or more of the internal control components that do not reduce to a relatively low level the risk that error or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Note that the definition of a material weakness in the audit finding differs from that used in FMFIA reports.

***** Reportable Condition –** Significant deficiencies in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

********The FY 1998 financial statements received a disclaimer (no opinion) due the inadequacies and difficulties of the financial management software system. The system is being replaced.

1b. Open audit recommendations related to financial statement audits will be addressed and closed.

Assessment of Progress. Positive trend toward target. The Department has closed the majority of its financial management audit recommendations. As of the end of February 2001, 127 of the 139 recommendations from prior year financial statement audits were closed. OCFO is working on closing the remaining 12 recommendations; of these only five recommendations are unique (non-repeat findings). The FY 2000 financial statements audit released February 28, 2001 included 21 recommendations. The number of recommendations has decreased in each of the last three years. The open recommendations from prior years are related to establishing a disaster recovery site, implementing financial reporting software, and tracking inventory and assets. Most of these recommendations are repeated in the FY 2000 audit and will be addressed in the next few months.

Status of Audit Recommendations

Audit Recommendations	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Issued	26	24	37	28	24	21
Closed	24	22	35	25	21	0
Remaining	2	2	2	3	3	21

Source: Annual Auditor’s reports. **Frequency:** Annual. **Next update:** FY 2001 Financial Statement Audit Report. **Validation procedure:** Independent auditors follow professional standards and conduct the audit under the oversight of the Office of the Inspector General. The Inspector General participates in the conduct of the audit and the reporting/tracking of material weaknesses. The Department has implemented an electronic database to automate the tracking of audit recommendations. **Limitations of data and planned improvements:** None.

1c. Internal Controls will be improved and material weaknesses and system non-conformances will be reduced as described in the Education Department’s annual Federal Managers’ Financial Integrity Act Report (FMFIA).

Assessment of Progress. Target met. The Department’s significant progress in addressing financial statements audit recommendations and implementing corrective actions that improved internal control has had a positive effect on this indicator. In the FY 2000 FMFIA Report, Education downgraded four material weaknesses and reported two new material weaknesses. This left the Department with four material weaknesses that need to be resolved (Data Quality in OSFA, Information Technology Security, methodology for calculating FFEL loan loss and Financial Management Systems). The Department also continues to work to resolve two longstanding financial management system non-conformances. Most of the corrective actions for these weaknesses and non-conformances are scheduled for implementation during FY 2001. However, some of the actions are long term initiatives that involve coordinating with the Internal Revenue Service, the Department of Veteran’s Affairs and other agencies to obtain changes in legislation, policies and procedures to enable conducting data matches.

**Material Weaknesses/Non-Conformances Reported
in Annual FMFIA Report**

Reported for	Material Weaknesses*	Material Non-Conformances**
FY 1997	5	2
FY 1998	4	2
FY 1999	6	2
FY 2000	4	2
FY 2001 projected	1	0

Source: Federal Managers Financial Integrity Act Report.
Frequency: Annual. **Next update:** December 2001
Validation procedure: Assistant Secretaries provide written certification that reporting for their principal office is accurate. The Inspector General participates in the review of the FMFIA report to ensure that major management control issues are considered. **Limitations of data and planned improvements:** None.

**Material Weakness: A deficiency in the overall adequacy and effectiveness of agency management controls put in place to protect the Department's assets of a degree deemed to be sufficiently important to be reported to the President and the Congress. Note that the definition of a material weakness in the FMFIA report differs from that used in an audit report.*

***Material Non-Conformance: A deficiency in a financial systems compliance with Government-wide standards of a degree deemed to be sufficiently important to be reported to the President and the Congress.*

1d. The Department of Education's student financial aid programs will be removed from GAO's list of "High Risk" Programs.

Assessment of Progress. Positive trend toward target. Although the student financial assistance programs are inherently high risk, since the programs were established to provide loans to low-income students without credit histories, Student Financial Assistance (SFA) has made considerable progress in strengthening financial management and internal controls:

- Improved gate-keeping legislation and regulation and a risk-based approach to oversight and monitoring processes are having a positive effect on SFA's accountability to the taxpayer, as is also evidenced by the cohort default rate falling to an all time low of 6.9 percent. In prior years, two stand-alone material weaknesses in monitoring and the oversight of SFA participants (institutions and FFEL participants) were reported in the annual audit reports. The FY 2000 Audit Report issued February 28, 2001, did not disclose any weaknesses in the SFA monitoring area.
- SFA will develop a Corrective Action Plan that follows GAO's recently issued criteria to address the SFA "High Risk" weaknesses. Part of the Plan will include an effort to monitor and independently validate the effectiveness and sustainability of corrective measures.
- SFA completed Phases I and II of the SFA Financial Management System (FMS):
 - Phase I, which was completed in March 2000, encompassed validation of the conceptual design and concept of operations. The SFA-FMS will allow for better SFA trend analysis, budget formulation, liability estimates, and cost management within programs. The FMS

provides improved accountability, better control over accounting entries, and an improved reconciliation infrastructure. The FMS will help SFA secure an unqualified audit opinion, and will provide a full subsidiary ledger capability to fulfill the PBO's legislative requirements.

- Phase II encompassed replacement of the Guaranty Agency Payment system, a system for Leveraging Educational Assistance Partnership Programs/Special Leveraging Educational Assistance Program and conversion of the ADP equipment inventory database into the Oracle Fixed Assets module. The general ledger accounts payable and accounts receivables were configured, tested and deployed September 30, 2000. Once fully implemented, the application will allow SFA to close a number of long outstanding audit findings.

1e. The Education Department's financial systems will be in substantial compliance with Federal Financial Management Improvement Act (FFMIA), which requires that our financial management systems provide reliable, useful, and timely information.

Assessment of Progress. Positive trend toward target. As reported in the Department's FY 2000 Financial Statements Audit, the Department is making progress in improving its financial systems to comply with FFMIA. However, the audit also indicates that the Department does not yet fully comply. Financial management system deficiencies impair the Department's ability to accumulate, analyze, and present reliable financial information. The Department also needs to finalize and implement comprehensive business continuity and disaster recovery plans for the Education Central Automated Processing System (EDCAPS). Implementation of the new core financial management system along with the business continuity and disaster recovery plans are underway and will bring the Department into compliance with FFMIA.

1f. Recurring findings in statewide single audits and program review reports will decrease as the number of Cooperative Audit Resolution and Oversight Initiative (CAROI) projects increases with the Education Department's state partners.

Assessment of Progress. Target exceeded. In 2000, the cumulative number of CAROI projects totaled 39 (target was 33) in 25 states. The data show that, overall, the Department is experiencing a reduction in recurring findings. The steady increase in CAROI projects and the related decrease in statewide audit recurring findings are positive indicators of how well the process is working. Since 1995, there has been a 72 percent reduction in the number of repeat findings in the statewide single audit.

In 1993, there were approximately 22 state audits under appeal and only 4 in March 2001. This translates into a substantial cost reduction benefit for both state and federal governments, because cooperation replaces litigation. These reductions in recurring findings and state audits under appeal were realized without compromising integrity, accountability, or the purpose of the funds.

1g. Debt Management for the Office of Student Financial Aid will continue to improve: student loan defaults will decrease and recovery of defaulted student loans will increase.

Assessment of Progress. Target met.

- **The national student loan default rate** is at its lowest point ever - 6.9 percent for FY 1998 cohort (most recent data available) - and two-thirds less than it was at its 22.4 percent peak eight years ago. The default rate has declined every year since 1992, and this year is the third consecutive year that it has remained below 10 percent. The previous year's (FY1997) cohort rate was 8.8 percent. A part of the reduction in the rate from last year was due to a change made to the law in 1998 that changed the definition of default from 180 days without a payment to 270 days.

The “*national cohort default rate*” provides a measure of *borrower* default behavior in the first 2 years after entering repayment. While the cohort default rate measures borrower default behavior in the first 2 years after entering repayment, it does not reflect the “*lifetime dollar default rates*” that are used in budget formulation to project future default costs.

- **Department defaulted loan collections increased** last fiscal year. Over \$1.263 Billion were collected during FY 2000. The Education Department exceeded its goal of \$1.22 Billion. Total collections, including Guaranty Agency collections, increased by 25 percent from \$3.665 Billion on defaults in FY 1999 to \$4.585 Billion in FY 2000.
- **The absolute impact of defaulted loans remains large** with outstanding student loan defaults at \$25 billion, more than double the reported amount for 1992. SFA’s plans for keeping the cohort default rate below 8 percent and the default recovery rate at 10 percent or higher will reduce the proportion of defaulted loans to total loan value and offer significant savings to the American taxpayer.

1h. The Education Department will generate useful and timely information for program managers and Congress to determine the effectiveness of education programs.

Assessment of Progress. Positive trend toward target. The Department has established reporting systems for GPRA that are used to provide useful information for program staff and senior managers. The Department’s budget process has been strengthened by taking advantage of GPRA data in budget submissions. The Department will continue to improve the availability and use of useful and timely information through the continued reliance placed upon GPRA, the implementation of the new core financial management system, and the implementation of a new activity-based cost system by the Office of Student Financial Aid.

Core Strategies to Ensure Financial Integrity

To assist in meeting our national education needs, the Education Department will deliver high-quality financial management data vital to effective program management and ensure financial integrity and accountability of public entrusted funds.

- **Getting a Clean Audit Opinion**
 - **Financial Statements:** Produce timely and accurate financial statements that will result in the auditors expressing an unqualified (clean) opinion.
 - **Weaknesses:** Eliminate material weaknesses and reportable conditions by correcting systemic problems and implementing polices and procedures.

- **Internal Controls and Laws and Regulations:** The Education Department’s financial management will provide reasonable assurance of compliance with laws and regulations, that financial reporting is reliable, that adequate internal controls are in place and operating effectively, and that operations are effective and efficient. Improvements will be achieved through adequate training, management focus, system upgrades, monitoring, risk-assessment, standardized operating procedures, and substantial compliance with federal accounting standards.
- **Improving the Financial Management System**
 - **New General Ledger Software:** Complete phased implementation of a new Joint Financial Management Improvement Program (JFMIP) certified general ledger (GL) software system. The new system will improve data integrity and facilitate production of required federal reporting and financial statements.
 - **System Controls:** Enhance and maintain controls surrounding financial information systems: finalize business continuity and disaster recovery plans, finalize implementation of effective logging and monitoring controls for Windows NT platform that supports EDCAPS, and strengthen system software change-management process.
 - **Assessment:** Continuously assess the design and operation of Education’s financial management systems, including computer security controls to ensure the reliable reporting on the results of operations.
- **Improving Reporting and Reconciliation**
 - **Detecting Irregularities:** Enhance procedures for account analysis to ensure that periodic analyses are completed that will detect errors and irregularities in a timely manner.
 - **Monthly Reconciliation:** Provide timely and reliable financial information for program and support offices to use in managing their responsibilities. The Office of the Chief Financial Officer (OCFO) will reconcile its fund balance with Treasury on a monthly basis. In addition, financial information within the various components that comprise the Department of Education’s Central Automated Processing System (EDCAPS) will be reconciled on a daily basis.
- **Improving Education Programs through Better Use of Audits, Monitoring, & Technical Assistance.**
 - The Education Department’s Cooperative Audit Resolution and Oversight Initiative (CAROI) will improve education program effectiveness while increasing accountability of federal funds. CAROI will continue to successfully establish networks of important federal and state contacts to address issues and concerns in a flexible environment, strengthen state understanding of the Education Department responsibilities, and avoid traditional time-consuming and resource intensive audit resolution practices.
- **Generating High-Quality Financial Data**
 - Coordinate development of better financial information for GPRA, budgeting, and program analysis.
 - Student Financial Aid (SFA) will develop and implement an activity-based costing system to reveal full cost of processes, reveal opportunities for improvement, and compare results against customer needs.

Management Challenge #2: Providing and Securing Information and Technology Systems: The Education Department will make information resource investments to improve mission effectiveness, efficiency and information security.

Overview of Information and Technology Systems

Information technology provides opportunities to reduce education programs' reporting burden on states and other grantees, to improve the quality of information available about education, and to make that information more accessible to the public, educators, researchers, policy-makers, and Department of Education managers. The Department is committed to fulfilling the Information Technology Management Reform Act of 1996 (Clinger-Cohen Act). The Clinger-Cohen Act requires the Department to significantly improve the acquisition and management of information technology in order to advance mission performance and service delivery. The Department is committed to building an enterprise architecture that provides the blueprint for improving our information technology (IT) infrastructure, IT asset management, and information management (IM), and for taking the steps necessary in business process reengineering, information resources management processes, and investment commitment to implement the blueprint. The Department is also committed to overcoming weaknesses identified in GAO and OIG audits.

Our Role

The Department is implementing the Clinger-Cohen Act; the Paperwork Reduction Act (PRA); the Paperwork Elimination Act; A-130, GISRA, Section 508, and related executive guidance about such topics as federal electronic government, electronic commerce, and electronic-working groups. We are committed to working with states and localities to improve the quality and reliability of the data we collect and to ease the burden of data collection using electronic means.

Performance Indicators and Targets for Providing and Securing Information and Technology Systems

- 2a. The major Department of Education information system investments will be mission-driven, cost-effective, consistent with our information technology enterprise architecture, and supportive of performance-based management systems.**

Assessment of Progress. The Department's Information Resources Investment Review Board (IRB) conducts an annual business case review of the Department's major information resource investments. Information System project sponsors provide justifications that include strategic plan linkages, cost effectiveness, and cost, schedule and performance goals to ensure that all of the Department's information systems investments are sound and prioritized. Major progress has been made in early FY 2001 on a major business process, the grants management process. Grants managers from several principal offices developed a flow chart of the "current" grants management processes that can be used to explore

opportunities for an improved, less redundant process and quality data. Future grants management information systems will be evaluated against the system architecture resulting from this review. The Department has implemented a major performance based contract for its network services and will include its success in meeting this indicator.

Measures:

- An increasing percent of the system portfolio will be reviewed by IRB leaders.
- Consistently high network service indicators will meet targets outlined in the performance-based contract.

2b. The Department of Education will fully implement the Clinger-Cohen Act so that 80 percent of our major IT projects annually will be within a 10 percent variance of their cost, schedule, and performance goals.

Assessment of Progress. The Department of Education will measure actual project results against each project's baseline of cost, schedule, and performance goals to calculate variances of cost, schedule, and performance, beginning with the financial system. Variances will be considered at the time of funding decisions.

Measures:

- 2002: 100 percent of major systems' costs, schedules and goals will be defined to establish a base line.
- 2003: 80 percent of IT projects will be within 10% of cost, schedule and performance goals.

2c. The Department of Education will increase employee access to and satisfaction with electronic information systems.

Assessment of Progress. Success will be assessed through customer satisfaction surveys. The Department's Assistive Technology Team has increased services to the Department's disabled and has been recognized as a Federal best-practice model. One hundred percent of the requests for assistive technology have been resolved satisfactorily.

Another technology that has improved the productivity of the Department of Education workforce is the expanded Intranet presence. The Department's Intranet, ConnectED, was introduced in November 1998 and is continually being enhanced to provide better customer service and to increase collaboration and communications among the Education Department staff. The fiscal year 2000 was devoted to gathering requirements and developing a major redesign to be launched in April 2001. The redesign incorporates the findings of the 1999 user testing, which showed that the site organization could be improved and that users expected expanded features. The ConnectED redesign incorporates "online" end user feedback, or a customer survey, for use by Program Office webmasters and the ConnectED management team when determining additional improvements to the site's functionality and usability. ConnectED redesign will provide for data collection and reporting on site usage. One measure of site usage is page views (see historical data in Figure 2c.2)

Measures:

- Increasing internal and external customer satisfaction on customer surveys
- Increases in all types of assistive technology provided to Department Employees
- Increasing of EDNet site activity by day
- EDNet site activity level by day of week
- EDNet site activity level by hour

Figure 2c.1

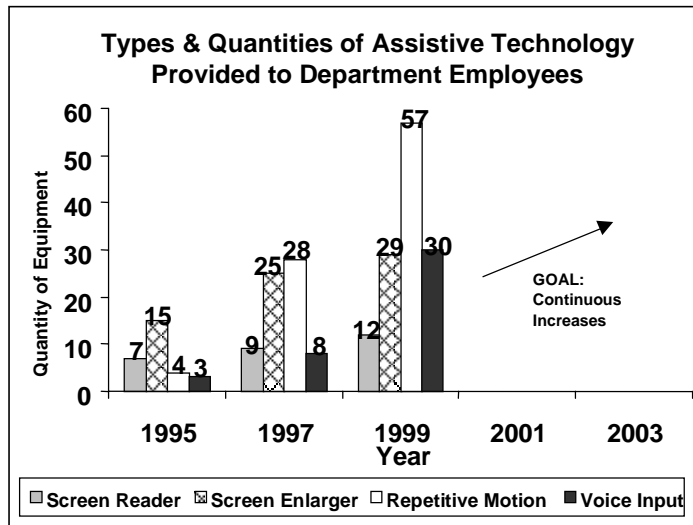
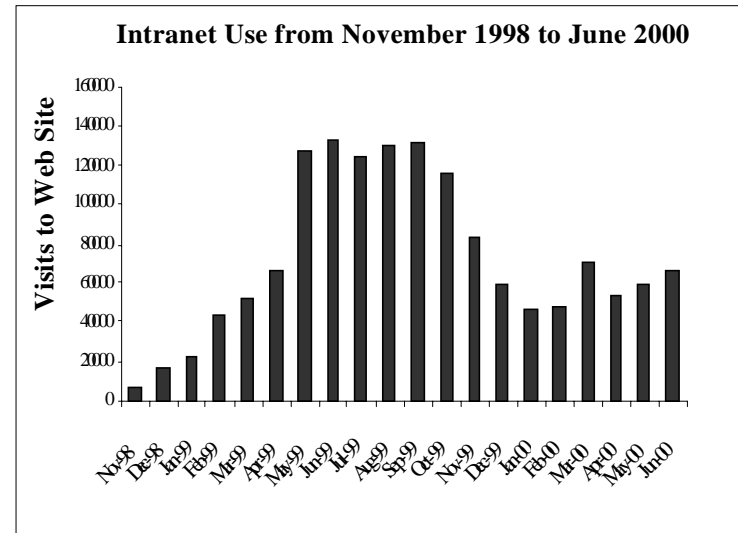


Figure 2c.2



Source: Assistive Technology Program of OCIO. **Frequency:** Biennial. **Next update:** 2001. **Validation procedure:** Data are validated by the internal review procedures of an experienced data collection agency. **Limitations of data and planned improvements:** Limitations are few as a result of the straightforward bookkeeping. One limitation is that this is a quantitative measure only and does not measure how much an impact it has on the recipient employees. A user survey will need to be developed to identify this impact.

Source: OCIO Intranet Project Manager's analysis of the Web usage log. **Frequency:** Monthly. **Next Update:** N/A. **Validation procedure:** Data validated by internal review procedures of an experienced data collection agency. **Limitations of data and planned improvements:** It is a quantitative measure at this point; customer surveys and usability testing will be done in the future to measure the quality of content and services.

2d. The Education Department will offer electronic transactions as required by the Government Paperwork Elimination Act Plan

Assessment of Progress. The Department submitted to OMB, in compliance with the October 31, 2000, deadline, a Government Paperwork Elimination Act (GPEA) plan. Contained in the plan are approximately 300 Paperwork Reduction Act transactions and 40 other Department transactions. The Department is currently assessing, based on OMB guidance, the practicability of offering electronic alternatives to conducting these transactions.

Measures:

- Compare the Education Department categories against the CIO Council Federal agency benchmarks
- Number and percent of the 340 GPEA transactions identified to OMB on the Education Department’s GPEA Plan consolidated, eliminated, and implemented

Major Paperwork Reduction Act Transactions	Target Date
e-Grant Application	12/2002
e-Grant Report	10/2003
Major Non- Paperwork Reduction Act Transactions	Target Date
Contracts Process	10/2003
e-Grant Reader	12/2002
e-Grant Award	10/2003
e-Grant Admin Action	10/2003

2e. The data-reporting burden on the public will continue to be reduced annually.

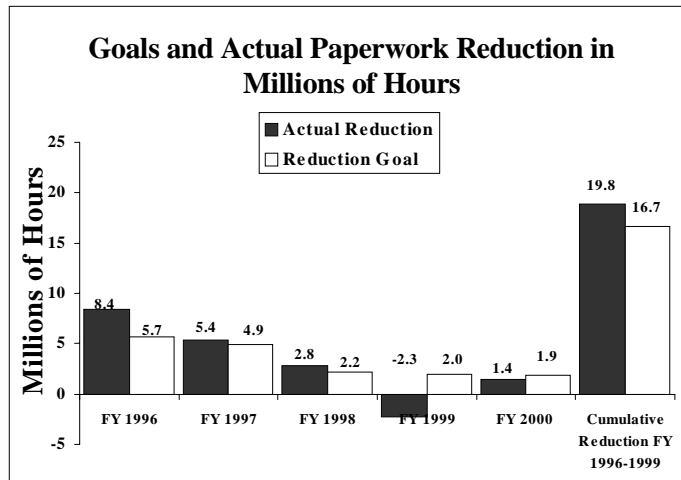
Assessment of Progress. The Paperwork Reduction Act (PRA) of 1995 set a 10 percent burden reduction goal for FY 1996 and FY 1997, and 5 percent for FY 1998 – FY 2001. For FYs 1996 – FY 1998, the Department actually exceeded its goals: the burden was reduced by 8.4 million hours (14.7%), 5.4 million hours (11%), and 2.8 million hours (6.5%), respectively. At the same time, statutory changes and the unexpected introduction of new programs prevented the Department from meeting its FY 1999 – 2001 reduction goals. For FY 1999, the Department’s total burden hours actually increased by 1 million hours (2.3%) For FY 2000, the total burden hours were reduced by 1.4 million hours (3.3%). For FY 2001, the Department expects to be able to reduce its burden by approximately 270,000 hours (1%). Burden reductions are due to the Department’s increased use of information technology, successful regulatory reinvention efforts, and reinventing and streamlining information collection efforts. The burden on the public will also decrease by the electronic grants management strategy and by the improved Intranet and Internet strategies. The Department’s partnership with the state and local education agencies will impact the success of this indicator by improving data quality and availability.

Measures:

- Annually increasing number of generic data elements certified as common to the enterprise

- Annually increasing number of states exchanging data with the Education Department's data exchange warehouse

Figure 2e.1



Source: Information Collection Budget of the Department of Education, FY 2000 submission dated December 2000. *Frequency:* Annual. *Next Update:* December 2001. **Validation procedure:** Data validated by internal review procedures of an experienced data collection agency. **Limitations of data and planned improvements:** Burden hours are estimated for all information collections. Based on experience, estimated burden hours tend to be more accurate for older collections, which are renewed on numerous occasions. Burden hour estimates for newer collections are probably less accurate. However, all information collections are subject to the Information Management Group of OCIO, OMB, and public reviews, and all comments made must be addressed by law.

2f. The major Department of Education information systems will be safe and secure with tested contingency back-up plans.

Assessment of Progress. The Department has recently updated security plans for almost all its mission critical systems and has completed security reviews on almost all mission critical systems. Corrective actions related to these reviews as well as recent OIG audits are underway. For instance, the Department has improved the network firewall and has established tighter network access controls. Disaster recovery plans are in place or under-development for all mission critical systems. The Department has established a disaster recovery capability for non-SFA mission critical systems at the Naval Air Systems Command and is building a permanent back-up site for disaster recovery in Atlanta, GA. The two financial systems have been tested on the interim site and will be at the permanent site as soon as operational.

Measures:

- 100 percent of mission critical systems have A-130 security reviews
- 100 percent of mission critical systems have security plans
- 100 percent of all security audit findings resolved
- 90 percent of the Education Department employees will receive security awareness training annually
- 90 percent of employees requiring specialized security training will receive it by the end of 2002
- 100 percent of mission critical systems will have tested contingency backup plans

- 90 percent of assets will be inventoried annually

Core Strategies to Secure Information and Technology Systems

The following information technology strategies will be used by the Chief Information Officer to increase the efficiency and effectiveness of the Education Department's operations both internally and with our strategic partners:

- **Implement cost-effective services for the Department of Education and its customers.**
 - Implement the agency capital planning and investment control process including the select, control and evaluation phases, and use of government standard I-TIPS management information system.
 - Train, develop, and equip an expert information management team to serve as liaison to the program offices. These expert OCIO consultants will help program offices develop specific information technology and information management plans consistent with the enterprise architecture and consult on Department-wide information management issues and paperwork reduction strategies.
- **Build and implement an information resources enterprise architecture.**
 - Implement an agency blueprint that includes an information resources enterprise architecture, a technical reference model, and a standards profile. The agency blueprint will include an architecture framework capturing architecture principles, and an explicit description and documentation of the current architecture and our target architecture, including standards, rules, and systems life cycle information. The agency blueprint will provide a strategy for maintaining our current information environment while we manage our investments and resource allocations in accordance with the blueprint's strategy for transitioning to the target environment. Transition processes include the capital planning and investment control processes, our enterprise architecture governance and management practices, and application of our systems life cycle methodologies.
 - Report on the performance of key system components against specified standards of progress identified in the enterprise architecture and the control phase of the capital planning and investment management process, such as common data identifiers, conformity with data standards, and achievement of milestone targets for cost, schedule, and performance goals.
 - Infuse the use of the Internet as a service delivery medium for the Department.
 - Dictate increased attention to security and apply the lessons learned from the Y2K conversion and contingency planning to the continuity of operations/disaster recovery planning and to IT asset management procedures.
 - Advance the Department's leadership in assistive technology.
- **Expand our Internet and Intranet presence and usefulness in reforming and improving business processes.**
 - Expand the Department's role as a portal to education information and services through access to the hundreds of Web sites at Department-funded contractors and grantees, other federal agencies, state agencies, and other partners.
 - Redesign the Department's Intranet, ConnectED, to improve its usability and functionality, including making it easier for content owners to share information and accomplish work.

- **Improve data collection and information management.**
 - Provide support, coordination, and direction to data improvement efforts to promote agency-wide standards-based information management. Convert to data collections allowing electronic responses; consolidate our data collections; improve the timeliness of our information dissemination; and assist in collaboration with our state and local education partners in the definition and implementation of data and information sharing.
 - Initiate an agency-wide data quality effort to measure the quality of data, identify data cleanup opportunities, and help prioritize additional data quality initiatives. Audit existing legacy databases for completeness and validity, structural integrity, and data conformance to business rules, which has never been done heretofore.

- **Pursue opportunities for benchmarking with exemplary service providers.**
 - To improve our services, we will learn from private sector companies, including Baldrige winners.
 - We will benchmark against other federal agencies and service providers.
 - We will actively participate in CIO Council organizations and activities.

- **Focus increased attention and resources to Infrastructure Protection and Information Assurance activities.**
 - Establish a thorough IT assets database along with policies and procedures for maintaining Department-wide asset management integrity.
 - Establish sound continuity of operations/disaster recovery plans and procedures for all mission critical systems.
 - Ensure that Department mission critical systems have up-to-date security plans and reviews.
 - Require that Department employees take the Computer Security course, and ensure that employees complete security training.
 - Revise and implement the Department's Critical Infrastructure Protection Plan (CIPP).
 - Complete vulnerability assessments of the Department's mission essential infrastructure assets.
 - Implement additional security measures, as needed based on risk assessments, vulnerability assessments and security reviews, to ensure the confidentiality, integrity, and availability of the Department's IT and other infrastructure assets.

Challenges to Achieving Our Objective

The Department has historically used few structured approaches for the management, collection, processing, storage, or distribution of data. Considerable effort is required to reconcile and standardize data given the hundreds of separately legislated programs; regulatory interpretations; and the wide range of capabilities to provide data electronically among our business partners, the state, and local education agencies. The consolidation of education programs and change of emphasis from compliance to accountability gives us an excellent opportunity to partner with the states in building new data collection and information exchange mechanisms that are greatly simplified and exceedingly more efficient than before. The Department also has an obligation to state and local education agencies to work closely with them to move to a culture of accountability, which means redefining the data that must be collected and using technologies to do business in the most efficient and non-intrusive manners. Highly trained technical and information-technology, -management, and -security professionals command higher salaries in the private sector than the federal government can offer; thus, they are difficult to recruit.

Management Challenge #3: Improving Management of Contracts and Grants

Overview for Contracts and Grants.

The U.S. Department of Education is dedicated to achieving its goal of being a high-performance agency and operating efficiently and effectively. The Education Department is providing e-government services and supporting performance-based contracts, two strategies which will support the Department's efforts to achieve its goal. Performance-based contracts are characterized by objectively measurable performance requirements and quality standards.

In March 2000, GAO released a report that concluded that the Department's concerted effort to completely redesign the discretionary grant awards process had yielded significant positive results. These efforts that decentralized grant-making activities and streamlined the process enabled Education to greatly improve the timeliness of awards and provide better service to applicants and grantees. The report also confirmed that grant awards were "consistent with peer review scoring...[and] with legislative objectives."³ The report made three recommendations to further improve the peer review process. The Department has taken corrective actions on all recommendations.

Our Role

To fulfill America's Federally funded education programs, a large number of contracts for goods and services are necessary. Performance-based contracts help to ensure that the American taxpayers receive results and that good financial management and stewardship support education goals. The Department's contracts are evaluated on several points to ensure sound financial management of our Nation's education dollars. The Department will continue to maximize the use of government-wide acquisition system resources and work with the Office of Federal Procurement Policy, Small Business Administration, and other agencies that can assist with applying best practices and lessons learned for similar-type requirements. For example, the Department has been able to use the efficiencies of government-wide contract vehicles but also build performance-based requirements into individual orders. We also worked with the Office of Federal Procurement Policy on ways to improve earlier efforts in performance-based contracts as well as being able to assist other agencies as they develop performance-based requirements in financial management, research and analysis, and information dissemination.

Performance Indicators and Targets for Improving Management of Contracts and Grants

- 3a. The Education Department's Acquisition system will show better contract performance through improvements in quality of service, cost control, timeliness of award, delivery of service, and payment.**

Assessment of Progress. The Department of Education has increased the number of performance-based contract actions since FY 1998 by over 500 percent. The value of the goods and services represented by these contract actions has increased by more than 900 percent. The

³ United States General Accounting Office (2000). *Education Discretionary Grants: Awards Process Could Benefit from Additional Improvements*, GAO/HEHS-00-55, p. 5.

Department evaluates contractor performance for each contract valued over \$100,000. Since fiscal year 1999, overall contractor performance has improved by approximately 5 percent each year. Contractor performance improvement is measured using a rating system to evaluate quality of service, cost control, timeliness of performance, and other critical performance objectives. It is projected this trend will continue, as the Department is better able to define and measure its contract performance outcomes. The increase in the number and dollars in performance-based contract awards and continuous improvement in contractor performance are strong indicators that as the Department continues to outsource. The Department receives more results-oriented contractor performance where outputs are effectively being measured using quantitative and objective performance criteria and the contractors are held accountable for successful performance leading to increased positive performance results.

Performance Based Contracting

Fiscal Year	Number of contract actions awarded based on performance objectives	% of total contract actions	Contract dollars based on performance objectives (in millions)	% of total contract dollars	Contractor past performance ratings (percent improved over prior year)
1998 actual	20	3%	\$ 41	6%	0%
1999 actual	72	7%	\$142	20%	5%
2000 target	108	10%	\$213	24%	5%
2000 actual	110	10%	\$385	43%	5%
2001 target	162	15%	\$400	45%	5%
2002 target	200	20%	\$450	48%	5%

Source: U.S. Department of Education Contract Data (from The Department of Education’s Central Automated Processing System (EDCAPS) and actual contracts) and the Federal Procurement Data System (FPDS). **Frequency:** Continuous. **Next update:** Annually. **Validation procedure:** Administrative reports prepared by the Education Department staff independently evaluated by random sampling and review. **Limitations of data and planned improvements:** The contract dollars include only new contracts and modifications to existing Performance-Based Service Contracting (PBSC) contracts awarded in a particular fiscal year. The figure does not include the "Total Cumulative Amount" of all of the Education Department's PBSC contracts. Several contracts are long term and were put in place prior to the measurement period and lack performance measures.

Expanding the application of on-line procurement. In doing business with its industry partners, the Department must be able to shift its business processes to the Internet at the same rate as the private sector. To that end, in FY 2001, the Department formulated a plan to establish an end-to-end electronic business process for acquisition including planning, solicitation, award, delivery, payment, and closeout. This included utilization of a government-wide point-of-entry between the agency and industry.

The Department of Education began posting all solicitation notices and actual solicitations for acquisitions greater than \$25,000 on the government-wide point-of-entry website in March 2001. This replaces the Commerce Business Daily for publishing notices of proposed contract

actions by providing potential business partners with a central point for electronic access to Federal business opportunities. Other components of the Department's electronic procurement initiatives are planned for implementation in FY 2002 and FY 2003.

Electronic Procurement

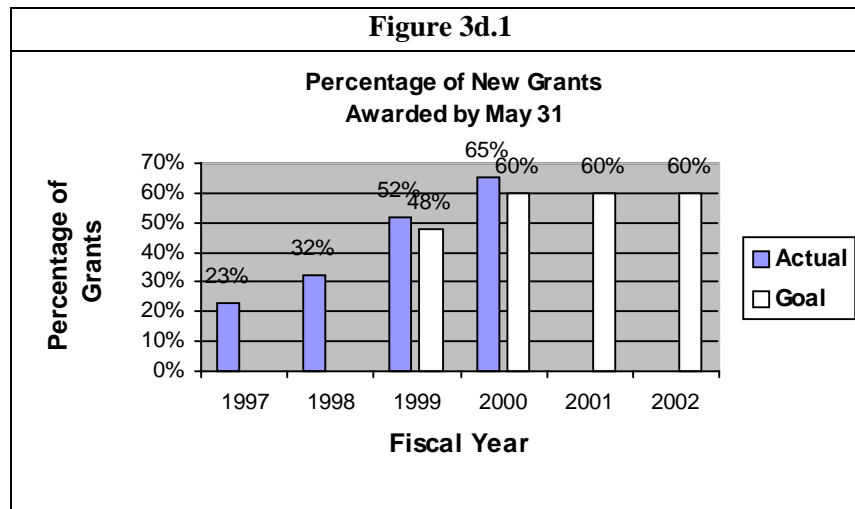
Fiscal Year	Percent of Synopses posted to www.FedBizOpps.gov	Percent of Solicitations (RFP's and RFQ's) posted to www.FedBizOpps.gov
FY 2001	50 %	50%
FY 2002	100%*	100%*

* Proposed FAR rule (FAR Case 97-304) and Department policy establishes FedBizOpps as the designated single government-wide point of entry for Federal contracting opportunities.

Source: Annual Office Reports. **Frequency:** Continuous. **Next update:** Annually. **Validation procedure:** All data is independently confirmed. **Limitations of data and planned improvements:** N/A.

3b. The Education department will award 60 percent of new grants by May 31, each year, so grantees will have time to plan for successful implementation of their programs.

Assessment of Progress. In 2000, the Department exceeded its original goal, by awarding 65 percent of new grants by May 31.



Source: Self-reports from Principal Offices. Grants Administration Payment System Reports. **Frequency:** Monthly. **Next update:** N/A. **Validation procedure:** Data are validated against data runs done by the Grants Policy and Oversight Staff from the Grants Administration and Payment System. **Limitations of data and planned improvements:** The exact goal for 2001 cannot be definitely predicted owing to the temporary moratorium on fiscal actions in the second and third fiscal quarters of 2001, which will have the effect of delaying the award of many new grants beyond May 31.

3c. By FY 2003, the Education Department will have the capability to receive all grant applications electronically. This will benefit the Education Department, applicants, and grantees with reduced processing time, and increased efficiency of grant administration.

Assessment of Progress.

1. E-Grants initiative. The Department is making significant progress in three areas of electronic grantmaking, known collectively as e-Grants:

- **e-Applications**, which enables applicants to file their applications electronically;
- **e-Reports**, which provides grantees the option to submit grant performance reports electronically; and
- **e-Reader**, which will support the program offices' technical review process.

e-Application

During FY 2000, the Education Department conducted electronic pilots with eight small discretionary grant programs. To date, the Department has expanded this electronic option to make it available to as many as 50 percent of the Department's discretionary grant programs and three formula grant programs. Thirty-two discretionary grant programs and three formula grant programs are using e-Application in 2001.

e-Reports

In October 2000, e-Reports became available. Currently 47 discretionary grant programs offer this electronic option to grantees.

e-Reader

Through the fall and winter 2002-2001, the Department has been developing the e-Reader component, which will be available in April, 2001. Selected discretionary grant programs will be piloting this latest electronic during the remainder of FY 2001. Nine programs are planning to participate in the e-Reader pilot.

3d. Beginning in FY 2002, the Department of Education will complete public-private or direct conversion competitions for at least 5 percent of the FTEs listed on the Department's *FY 2001 Commercial Activities Inventory*.

Assessment of Progress. The Department of Education compiled an inventory of commercial activities in FY 1999 and FY 2000; however, the Education Department did not conduct any cost comparisons or conversions. While the Education Department's programs and responsibilities have grown substantially over the years, the Education Department itself has not. In terms of number of employees, the Education Department is the smallest Federal department. In fact, the Education Department's staff of 4,700 is nearly 40 percent below the 7,500 employees who administered Federal education programs in several different agencies in 1980, when the Education Department was created. These staff reductions, along with a wide range of management improvements, have helped limit administrative costs to about 2 percent of the Education Department's budget. Internal estimates (based upon knowledge of the contracts and voluntary submission of data) are that the Education Department has 1.5 contractor staff for every employee.

Once the *2001 Commercial Activities Inventory* is completed (not later than June 30, 2001), the Education Department will review the activities to identify those ready for a conversion or cost comparison. The Education Department will begin working on the major components, which are: (1) the development of a Performance Work Statement (PWS) and Quality Assurance Surveillance Plan (QASP); (2) the performance of a management study to determine the Government's Most Efficient Organization (MEO); (3) the development of an in-house Government cost estimate; and where a cost comparison is required (4) issuance of the solicitation; and (5) the comparison of the in-house bid against a proposed contract or ISSA price. The Department's goal is that by FY 2002, the Department will complete A-76 conversion competitions for at least 5 percent of the FTEs listed on the Department's *FY 2001 Commercial Activities Inventory*.

The Education Department will conduct cost comparisons when activities do not meet established performance standards, when we believe fair and reasonable prices cannot be obtained from qualified commercial sources, or as otherwise provided to permit the conversion of work to or from in-house, contract or interservice support agreement (ISSA) performance.

Fiscal Year	Number of Inventoried Positions Subject to Cost Comparison	Number of Inventoried Positions Cost Comparison Conducted For or Converted
<i>FY 2001</i>	395	0
FY 2002 (estimated)	395	20

Source: Annual Office Reports. **Frequency:** Continuous. **Next update:** Annually. **Validation procedure:** All data is independently confirmed. **Limitations of data and planned improvements:** N/A.

Core Strategies for Improving the Management of our Contracts and Grants

To assist in meeting our national education needs, the Department is continues to improve the performance of those resources where the Department engages industry through contracts to support its activities by obtaining better-value procurements of goods and services through the use of performance-based contracting relationships and expanding the use of electronic procurement.

The Department is actively reviewing the performance of its workforce and external resources through its work related to the inventory of its commercial activities.

The Education Department is improving its grants management through reforming the grants process by enabling the Department to administer grant projects from application through reporting via electronic methods and providing related policy development and training to user groups, allowing grantees more time for project activities; and obtaining best-value procurements of goods and services through performance-based contracting.

▪ **Improve the Acquisition System**

- **Control costs** by implementing performance-based contracting and by evaluating whether certain functions are more cost effective when performed by contractors or federal employees. Use competitive procedures to obtain best value of goods and services and promote fairness.
- **Performance-based Contracting:** To support the fulfillment of its mission, the Department partners with industry to acquire a substantial amount of necessary goods and services. For services, the Department has been increasing its focus on the successful fulfillment of the business objectives of those public-private partnerships rather than merely pay the cost for best efforts towards but not necessarily fulfilling the expected outcomes. The Department's contracts are evaluated on several points to ensure sound financial management of our Nation's education dollars.
- **Alignment with Strategic Plan:** Linking contract language to the goals and objectives of the Department's strategic plan to align and support the Department's education mission and goals.
- **Training:** Continue to provide training to all the Education Department procurement and technical personnel in their capability to manage productively the performance of contractors. All principal offices will perform acquisition planning.
- **Expanding On-line Procurement:** In doing business with its industry partners, the Department must be able to shift its business processes to the Internet at the same rate as the private sector.
- **Increase Controls** to eliminate improper payments; ensure on-time delivery of goods and services; significantly reduce or eliminate interest penalty payments.

▪ **Improve Grant Administration and Partnership**

- **Electronic Grantmaking:** By 2003 all grant programs will have converted to electronic processes for grant application, review, and reporting; at the same time, the Department will continue to work toward interoperability with government-wide electronic grantmaking standards by its participation in the Federal Commons project.
- **Policy Development:** The Department will continue to develop policy and guidance for both staff and grantees to harmonize the requirements of the grants process with the new the Education Department and government-wide electronic methods of transacting business with its customers (e.g., integrating grantee reporting of project outcomes and milestones with project expenditures recorded in financial management systems).
- **Training:** A variety of curricula will be developed to enhance staff and grantee knowledge of the grants process and the ways to use electronic methods (e.g., reporting) to serve customers' needs better and increase accountability.

- **Improve Federal Activities Inventories Reform (FAIR) Act inventories and expanding A-76 competitions:** The Department of Education compiled an inventory of commercial activities in FY 1999 and FY 2000; however, the Education Department did not conduct any cost comparisons or conversions. While the Education Department's programs and responsibilities have grown substantially over the years, the Education Department itself has not. In terms of number of employees, the Education Department is the smallest Federal department. In fact, the Education Department's staff of 4,700 is nearly 40 percent below the 7,500 employees who administered Federal education programs in several different agencies in 1980, when the Education Department was created. These staff reductions, along with a wide range of management improvements, have helped limit administrative costs to about 2 percent of the Education Department's budget. This means that the Education Department delivers 98 cents on the dollar in education assistance to States, school districts, postsecondary institutions, and students.

Management Challenge #4: Improving the Quality of State Performance Data and Upgrading Federal Evaluations to Assess How Well Children Reach Challenging Standards

Overview of State Performance and Evaluation Data

The Department of Education faces on-going challenges in assessing whether its programs are achieving their desired outcomes. As GAO indicates in their January, 2001 report, these challenges are especially great in elementary and secondary education, as States have considerable discretion over how federal funds are used. Also, States have different standards and assessment systems. Currently, the Department is having difficulty in receiving timely and accurate State performance reports for Title I, its largest K-12 program for at-risk students.

GAO also notes that the lack of comparable state data “underscores the importance of federal program evaluations to assess program outcomes,” but that the usefulness of program evaluations for national assessments is uneven.

As part of its efforts to continuously strengthen its performance and evaluation data, , the Department is addressing GAO concerns with respect to:

- The need to increase the timeliness and accuracy of Title I program performance reports, as part of an overall effort to continually improve the Department’s performance indicator reporting.
- The need to conduct representative, longitudinal studies of Title I effectiveness.
- The need to provide information on outcomes of the migrant education program.

Performance Indicators and Targets for Improving Performance Measures and Evaluation

4a. Continuously improve the accuracy and timeliness of data used for program performance measurement, with special attention to strengthening State-reported Title I information.

The Department is establishing a database to track indicator timeliness and accuracy. Baseline analyses of the timeliness of program indicators are shown below. A process for assessing indicator accuracy is underway. In this process, Education will pay special attention tracking state outcome reporting and will provide technical assistance to states that facilitates the exchange of best practices on reporting student assessment information.

Availability of Performance Measures for GPRA Performance Report

	Year of Data	Reported for Measures			No Data
		Number of Data Measures	Same Year	Prior Year	
FY 1999 Report	617	157 (26%)	140 (23%)	112 (20%)	105 (17%)
FY 2000 Report	1082	220 (20%)	258 (24%)	223 (21%)	172 (16%)

Between FY 1999 and FY 2000 the number of program specific performance measures increased by almost 50 percent – from 617 to 1082. During the same time, the percentage of measures for which no data were provided stayed level, as well as the percentage of measures for which data was recent (within two years) from 66 percent (409 of 617) in FY 1999 to 65 percent (701 of 1082) in FY 2000. The percentage of same year indicators dropped in FY 2000 as compared to FY 1999 due, in part, to the difficulties in obtaining current data for new performance indicators. Additionally, many measures are obtained either through longitudinal data collections administered every two years (such as the Center for Disease Control’s *Youth Risk Behavior Surveillance System*), longer intervals (such as the *National Assessment of Educational Progress*), or school year intervals that do not coincide with the fiscal year.

4b. A nationally representative, longitudinal study of Title I schools will be launched that will assess value added in terms of improved student outcomes.

The Department has already launched a five-year, nationally-representative, longitudinal study of Title I and non-Title I schools. Students will be independently assessed and longitudinally followed in an imbedded sub-sample of these schools. This imbedded sample will be sufficient to be representative of Title I schools and will naturally include both school wide and targeted assistance programs.

4c. The Department’s information on migrant student outcomes will continuously improve.

The Department will assist those states with significant portions of migrant students to meet their requirements to report migrant student outcomes on State assessments. Eight states currently report migrant students’ achievement data. In *addition*, the Department’s Title I longitudinal study will over-sample schools that have high proportions of migrant students. In a sub-sample of schools with a high proportion of migrant students, students will be assessed and followed longitudinally. The Department is planning a study of migrant students’ high school graduation rates.